

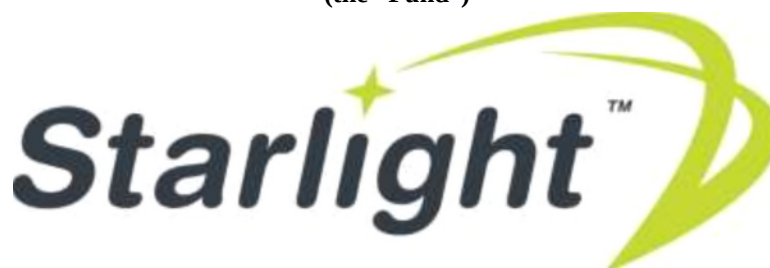
No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus (the “**Prospectus**”) constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended and, subject to certain exemptions, may not be offered or sold in the U.S.

PROSPECTUS

Initial Public Offering

January 27, 2022

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND (the “Fund”)



Minimum: \$61,000,000
Maximum: \$130,000,000
of

Class A Units and/or Class B Units and/or Class C Units

This Prospectus qualifies the distribution of up to \$130,000,000 of class A trust units (the “**Class A Units**”), class B trust units (the “**Class B Units**”) and class C trust units (the “**Class C Units**”), and collectively with the Class A Units and Class B Units, the “**Units**”) of the Fund (the “**Offering**”) at a price of \$10.00 per Class A Unit, Class B Unit and Class C Unit.

The Fund’s investment objectives are to: (a) directly or indirectly acquire, own, operate and stabilize a portfolio of newer vintage and newly-constructed income-producing, multi-family real estate properties (the “**Properties**”) which are geographically diversified across Vancouver Island and the mainland of the Province of British Columbia (the “**Primary Markets**”); (b) make stable monthly cash distributions; and (c) enhance earnings from the Properties through active asset management, which may include leasing non-stabilized properties, increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions, best-in-class property management and economies of scale.

Price: \$10.00 per Class A Unit
\$10.00 per Class B Unit
\$10.00 per Class C Unit

	Price to the Public⁽¹⁾⁽²⁾	Agents’ Fee	Net Proceeds to the Fund⁽³⁾
Per Class A Unit.....	\$10.00	\$0.225	\$9.775
Per Class B Unit.....	\$10.00	\$0.525	\$9.475
Per Class C Unit ⁽⁴⁾	\$10.00	\$0.00	\$10.00
Minimum Offering ⁽⁵⁾	\$61,000,000	\$1,530,000	\$59,470,000
Maximum Offering ⁽⁶⁾	\$130,000,000	\$3,600,000	\$126,400,000

Notes:

- (1) The terms of the Offering, including the Offering Price (as defined herein), were determined by negotiation between the Agents (as defined herein) and the Manager (as defined herein), on behalf of the Fund.
- (2) The minimum subscription amount is \$1,000.
- (3) Before deduction of the expenses of the Offering (estimated at \$1,042,425, inclusive of Harmonized Sales Tax) which together with the Agents’ Fee, will be paid out of the Gross Subscription Proceeds.
- (4) Class C Units will only be sold to senior management of the Manager (as defined herein), certain other investors known to the Manager, and any Lead Investors (as defined herein).
- (5) The Minimum Offering (as defined herein) assumes \$38,250,000 of Class A Units, \$12,750,000 of Class B Units, and \$10,000,000 of Class C Units are issued pursuant to this Prospectus, but will actually be calculated based on the subscription proceeds received from the issuance of Class A Units, Class B Units and Class C Units.
- (6) The Maximum Offering (as defined herein) assumes \$90,000,000 of Class A Units, \$30,000,000 of Class B Units, and \$10,000,000 of Class C Units are issued pursuant to this Prospectus, but will actually be calculated based on the subscription proceeds received from the issuance of Class A Units, Class B Units and Class C Units.

The Fund has received expressions of interest from senior management of Starlight Group Property Holdings Inc. (“**Starlight Group**”), the sponsor of the Fund and an Affiliate (as defined herein) of Starlight Investments CDN AM Group LP (the “**Manager**”) and certain investors known to the Manager, to subscribe for a minimum of \$10,000,000 of Class C Units pursuant to this Prospectus or, at the discretion of the Fund, by way of a concurrent private placement. The Fund may also seek out commitments from certain institutional and other investors to subscribe for Class C Units on a lead order basis (“**Lead Investors**”). The Fund may issue additional trust units, including trust units of a new class, by way of private placement concurrent with the closing of the Offering at a price of \$10.00, as applicable, provided that the proceeds of any such private placements together with the proceeds of the Offering, do not exceed the Maximum Offering amount.

Following the completion of the Offering, the Fund intends to indirectly acquire (i) 60 multi-family suites located at 733 Goldstream Avenue in Langford, British Columbia (the “**Langford Property**”), (ii) 251 multi-family suites located at 6035 Linley Valley Drive and 4800 Uplands Drive in Nanaimo, British Columbia (the “**Nanaimo Property**”), (iii) 81 multi-family suites located at 2699 Peatt Road in Langford, British Columbia (the “**Langford Property 2**”), (iv) 60 multi-family suites located at 3400 Centennial Drive in Vernon, British Columbia (the “**Vernon Property**”) and (v) 43 multi-family suites located at 1803 31A Street in Vernon, British Columbia (the “**Vernon Property 2**” together with the Langford Property, the Nanaimo Property, the Langford Property 2 and the Vernon Property, the “**Initial Portfolio**”). See “Description of the Activities of the Fund – The Initial Portfolio” and “Use of Proceeds”.

Net proceeds from the Offering and any concurrent private placements which are in excess of the amount required to complete the purchase of the Initial Portfolio will be used, together with indebtedness, to fund the acquisitions of one or more additional Properties which are expected to occur within six months following the Closing Date (as defined herein) and for general working capital purposes. In the event that (i) a representation of the respective vendors of the Properties comprising the Initial Portfolio is found to be materially untrue or inaccurate at (or before, if discovered then) closing of the acquisition of such Property, (ii) the Fund is not satisfied with changes to the physical or environmental condition of a Property, or (iii) a vendor is in default under the applicable purchase and sale agreement (subject to any cure periods available to such vendor), the Fund may determine to not acquire such Properties, and if so determined, will instead target one or more additional Properties for acquisition that satisfy the investment criteria of the Fund with the net proceeds from the Offering and any concurrent private placements, with the deployment of such funds expected to occur within six months following the Closing Date.

The Fund will target, once the Net Subscription Proceeds (as defined herein) have been invested, an annual pre-tax distribution yield of 3.0% to 4.0% on Gross Subscription Proceeds across all Unit classes and aim to realize a minimum 12% pre-tax investor internal rate of return across all Unit classes upon disposition (directly or indirectly) of the Fund’s interests in its assets at or before the end of the targeted three-year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Unit and applicable Unit Class Expenses (as defined herein). See “Risk Factors” and “Description of the Securities Distributed – Units – Distributions”. The *pro rata* monthly distribution on the Units will commence following the end of the Fund’s first full operating month after the closing date of the Offering, which is expected to be on or about February 22, 2022 or such later date as the Fund and the Agents may agree, but in any event not later than March 30, 2022 (the “**Closing Date**”). The first distribution is expected to be paid in April 2022 following the Fund’s first full month of operations, which is expected to be March 2022, and will be paid on a pro-rated basis for the full period from the Closing Date until the end of the Fund’s first full operating month after the Closing Date. The distribution amount per Unit will be determined in accordance with the Declaration of Trust (as defined herein). See “Description of the Securities Distributed – Units – Distributions”. The Fund intends to declare monthly cash distributions no later than seven Business Days (as defined herein) prior to the end of each month, payable within 15 days following the end of the month (or the next Business Day if not a Business Day) in which the distribution is declared to Unitholders (as defined herein) as at month-end. In the event the Gross Subscription Proceeds are \$61,000,000 or greater, the net proceeds from the Offering and any concurrent private placements will be in excess of the amount required to complete the purchase of the Initial Portfolio and, therefore, initially, not all of the net proceeds from the Offering and any concurrent private placements will be deployed by the Fund to directly or indirectly acquire interests in income-producing properties. The net proceeds from the Offering and any concurrent private placements which exceed the amount required to complete the purchase of the Initial Portfolio are not expected to have an impact on Distributable Cash Flow (as defined herein) and, accordingly, until such excess funds are deployed by the Fund to directly or indirectly acquire interests in one or more income-producing properties, the annualized pre-tax distribution yield per Unit may be less than the targeted yield per Unit. See “Risk Factors”.

This is partly a “blind pool” offering. After completion of the acquisition of the Initial Portfolio, although the Fund expects that the unallocated Investable Funds (as defined herein) will be applied to the purchase of one or more additional Properties, the Manager has not yet advanced the process for potentially acquiring any such additional Properties to a point where any such acquisition by the Fund would be considered as being “probable” as that term is understood for purposes of Form 41-101F1.

For illustrative purposes only, if the Maximum Offering of \$130,000,000 is sold under the Offering, the Fund expects that approximately \$440,275,000, which amount includes the net proceeds of the Offering, any concurrent private placement and

the Mortgage Loans (as defined herein), will be applied to the purchase price and other acquisition costs of interests in Properties (including the Acquisition Fee payable as described herein), and to the creation of working capital reserves for the Fund. The Fund is not prohibited from offering Units to the public or through private placement transactions following closing of the Offering; provided that the Fund may only issue one or more new series of Units within an existing class, in each case on a basis economically equivalent, on the date of issue, to an existing class, on the date of its initial issue but at the then prevailing Net Asset Value (as defined herein) per Unit for such existing class instead of \$10.00 per Unit.

There will be no closing of the Offering unless the Minimum Offering is achieved. The Minimum Offering amount will be reduced by the aggregate subscription amount for Units sold pursuant to any private placement concurrent with the closing of the Offering. The closing of the Offering will not proceed unless all preconditions to the closing of the acquisitions of the Properties comprising the Initial Portfolio have been satisfied or waived. The distribution under the Offering will not continue for a period of more than 90 days after the date of the receipt obtained from the principal securities regulatory authority for this Prospectus. If one or more amendments to this Prospectus are filed and the principal securities regulatory authority has issued a receipt for any such amendment, the distribution under this Offering will not continue for a period of more than 90 days after the latest date of a receipt for any such amendment. In any case, the total period of distribution under the Offering will not continue for a period of more than 180 days from the date of the receipt for this Prospectus. If the Minimum Offering is not achieved during the 90-day period, subscription funds received by the Agents will be returned to subscribers without any deductions, unless the subscribers have otherwise instructed the Agents.

An investment in the securities offered by this Prospectus is subject to certain risk factors as set out under the heading “Risk Factors” or otherwise described in this Prospectus.

Although the Fund intends to distribute its available cash to Unitholders in accordance with its distribution policies, unlike fixed-income securities, there is no obligation of the Fund to distribute fixed dollar amounts to Unitholders and, as such, the amount of cash distributions is not guaranteed and may be reduced, including to zero, resulting in a reduction in yield based on the Offering Price of the Fund’s Units. The ability of the Fund to make cash distributions on the Units and the actual amount distributed will depend on the ability of the Fund to directly or indirectly acquire the Properties as well as the ongoing operations of the Properties, and will be subject to various factors including those referenced in the “Risk Factors” section of this Prospectus or otherwise described in this Prospectus. The aggregate Minimum Return (as defined herein on a per Unit basis and calculated including the amount of the Investors Capital Return Base (as defined herein)) for distribution proportionately to the Unitholders, after payment of all Fund expenses, (i) is based on a 7.0% per annum return on the net subscription proceeds received by the Fund from the issuance of each Unit, and (ii) is a preferred return, payable prior to payment of any amounts pursuant to the Carried Interest, but (iii) is not guaranteed and may not be paid on a current basis in each year or at all.

The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder’s original investment, are not guaranteed and the anticipated return on investment is based upon many performance assumptions. It is important for purchasers of Units (“Purchasers”) to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the distributions to Unitholders. See “Risk Factors” and the risks otherwise described in this Prospectus for a more complete discussion of these risks and their potential consequences.

There is currently no market through which the Units may be sold, and such a market may not develop, and Purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing and liquidity of the securities in the secondary market, if one should develop, the transparency and availability of trading prices, and the extent of issuer regulation. See “Risk Factors”. As at the date of this Prospectus, the Fund does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or any other marketplace within or outside Canada and the U.S. See “Plan of Distribution”.

Registration and transfers of Units will be effected only through the book entry only system administered by CDS Clearing and Depository Services Inc. (“CDS”). A Purchaser will receive only a customer confirmation from the registered dealer which is a CDS participant from or through which Units are purchased. Beneficial owners of Units will not have the right to receive physical certificates evidencing their ownership of such securities. See “Plan of Distribution”.

Unitholders will generally be required to include, in computing their income for each taxation year, the income of the Fund paid or made payable to them by the Fund for the taxation year of the Fund ending in or coincidentally with such taxation year. If the Fund is unable to pay sufficient cash distributions in a particular taxation year to fully distribute its income for that year, Unitholders may receive distributions in the form of additional Units. If a Unitholder receives distributions from the Fund in a year which exceed the amount of income (including capital gains) paid or payable to such Unitholder by the Fund for the year, any such excess distributions will generally not be included in the Unitholder’s income for the year, but will result in a net

reduction of the adjusted cost base of the Unitholder's Units. In the event that cash distributions paid to a Unitholder for a taxation year of the Fund are less than the income of the Fund paid or made payable to such Unitholder for the year, the full amount of such income will nonetheless be required to be included in the Unitholder's income for the year and any such shortfall (satisfied by a distribution of Units) will generally result in a net increase in the adjusted cost base of the Unitholder's Units. See "Certain Canadian Federal Income Tax Considerations".

The Units will be redeemable at the option of Unitholders by written notice to the Fund. The redemption price per Unit multiplied by the number of Units tendered for redemption will be paid to a Unitholder by way of a cash payment no later than the last day of the calendar month following the calendar quarter in which the Units were tendered for redemption, provided that, unless the Fund otherwise determines, the total amount payable by the Fund by cash payment in respect of the redemption of Units for the calendar quarter shall not exceed \$100,000 and shall not exceed, in any 12-month period, 1% of the Net Asset Value at the start of such 12-month period. See "Risk Factors – Risk Factors Relating to the Offering – Limited Liquidity of Units". The payment in cash by the Fund of the redemption price of Units will reduce the amount of cash available to the Fund for the payment of distributions to Unitholders, as the payment of the amount due in respect of redemptions will take priority over the payment of cash distributions. See "Risk Factors – Risk Factors Relating to Redemptions – Use of Available Cash". If Units tendered for redemption are not redeemed for cash as a result of the foregoing limitations, the Fund shall satisfy the redemption of such Units tendered for redemption by way of an *in specie* distribution of property of the Fund and/or unsecured subordinated notes of the Fund, at its option, as determined by the Board in its sole discretion. Property distributed by the Fund on a redemption is not expected to be liquid and may not be a qualified investment for trusts governed by Plans (as defined herein). In those circumstances, adverse tax consequences generally may apply to a Unitholder, or a Plan and/or the annuitant, holder, subscriber or beneficiary thereunder or thereof, as a result of the redemption of Units held in a trust governed by a Plan. See "Description of the Securities Distributed – Units – Redemption", "Risk Factors – Risk Factors Relating to the Offering – Limited Liquidity of Units" and "Risk Factors – Risk Factors Relating to Redemptions".

CIBC World Markets Inc. (the "**Lead Agent**"), Wellington-Altus Private Wealth Inc., Scotia Capital Inc., Canaccord Genuity Corp., BMO Nesbitt Burns Inc., National Bank Financial Inc., Richardson Wealth Limited, Desjardins Securities Inc., Echelon Wealth Partners Inc., iA Private Wealth Inc., Laurentian Bank Securities Inc. and Raymond James Ltd. (collectively with the Lead Agent, the "**Agents**") conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (as defined herein), and subject to the approval of certain Canadian legal matters on behalf of the Fund and the Manager by Blake, Cassels & Graydon LLP and on behalf of the Agents by Wildeboer Dellelce LLP. See "Plan of Distribution".

The Fund will be financing a portion of the purchase price for the Initial Portfolio through one or more mortgages with a Canadian chartered bank that is an Affiliate of the Lead Agent. Further, Denim Smith (a pending member of the Board of Trustees of the Fund) is Managing Director, Investment Banking (Real Estate) of Echelon Wealth Partners Inc., one of the Agents. Consequently, the Fund may be considered a "connected issuer", as such term is defined in National Instrument 33-105 – *Underwriting Conflicts*, of each of the Lead Agent and Echelon Wealth Partners Inc. See "Description of the Activities of the Fund – The Initial Portfolio – Financing of the Initial Portfolio", "Plan of Distribution – Relationship Between the Fund and Certain Agents".

The Manager is the asset manager and a Subsidiary (as defined herein) of Starlight Group (together with its affiliates, "**Starlight**"), giving the Fund access to the Manager's experienced management team and broad network of relationships in the western Canadian multi-family real estate sector. The Manager is indirectly owned and controlled by Daniel Drimmer, the Chief Executive Officer of the Fund. The Manager will receive various fees and payments from the Fund and certain of its subsidiaries in respect of the acquisition and disposition of the Properties and asset management and other services provided to the Fund and certain of its Subsidiaries pursuant to the Management Agreement (as defined herein). In addition, certain officers of the Fund will be affiliated with the Manager. The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Glen Hirsh, Martin Liddell, and/or David Hanick. If the Manager loses the services of any of Daniel Drimmer, Glen Hirsh, Martin Liddell, and/or David Hanick, the business, financial condition and results of operations of the Fund may be materially adversely affected. The Fund may also become involved in transactions that conflict with the interests of the foregoing. The Fund and the Manager, or its Affiliates, may enter into certain transactions pursuant to which the Fund may acquire certain Properties from the Manager or Affiliates of the Manager. Mr. Drimmer is not in any way limited by the Fund or affected in his ability to carry on other business ventures for his own account and for the account of others, other than pursuant to any duties he owes to the Fund, in his capacity as an officer of the Fund. Mr. Drimmer will not have any obligation to account to the Fund or the Unitholders for profits made in such other activities. See "Principal Securityholders", "The Manager and the Management Agreement – The Manager", "The Manager and the Management Agreement – Potential Conflicts of Interest (Trustees and Officers)", "Risk Factors – Risk Factors Relating to the Fund – Reliance on the Manager", "Promoter" and "Interests of Management and Others in Material Transactions".

The Fund will adopt a written code of business conduct and ethics that applies to all Trustees and officers of the Fund, and the Manager and its employees. See "Audit Committee and Corporate Governance – Corporate Governance".

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ABOUT THIS PROSPECTUS

A Purchaser should rely only on the information contained in this Prospectus and is not entitled to rely on parts of the information contained in this Prospectus to the exclusion of others. The Fund has not, and the Agents and Starlight Group have not, authorized anyone to provide Purchasers with additional or different information. The Fund is not, and the Agents are not, offering to sell the Units in any jurisdictions where the offer or sale of such Units is not permitted. The information contained in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or of any sale of the Units.

For Purchasers outside Canada, none of the Fund, Starlight Group or any of the Agents has done anything that would permit the Offering or possession or distribution of this Prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Purchasers are required to inform themselves about and to observe any restrictions relating to the Offering and the possession or distribution of this Prospectus.

In order to address certain securities regulatory or public interest policy objectives relating to the partial blind pool nature of the Offering, the Fund has adopted a number of measures that will define its business and the scope of its operations. These measures include, but are not limited to:

- (a) the Fund may only invest, directly or indirectly, in interests (including fee ownership and leasehold interests) in multi-family real estate properties located in BC and assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other Investment Restrictions of the Fund, provided that the Fund may invest up to 10% of the Investable Funds in real properties which do not comply with the foregoing (see “Investment Restrictions and Operating Policies – Investment Restrictions”);
- (b) other than the Properties comprising the Initial Portfolio, neither the appraised value nor the purchase price of the interest of the Fund in any single building at a Property shall exceed 25% of the Net Asset Value unless approved by the Board (see “Investment Restrictions and Operating Policies – Investment Restrictions”);
- (c) any change to:
 - (i) the investment restrictions of the Fund and/or to the Fund’s operating policy relating to the assumption of any indebtedness shall require approval by Special Resolution of the Unitholders;
 - (ii) the remaining operating policies shall require approval by an Ordinary Resolution of the Unitholders; and
 - (iii) the Declaration of Trust relating to the procedure to amend the Fund’s investment restrictions and operating policies will require approval by Special Resolution of the Unitholders

(see “Investment Restrictions and Operating Policies – Amendments to Investment Restrictions and Operating Policies” and “Description of the Securities Distributed – Units – Meetings of Unitholders and Resolutions”);

- (d) the Fund will only use the Investable Funds for working capital and investment in accordance with its Investment Restrictions and its investment strategy, as set forth herein (and the Fund is targeting full deployment of the Investable Funds within six months following the Closing Date); and
- (e) the Board will, on closing of the Offering, consist of 100% independent trustees, and will in any event, consist of a majority of independent trustees in accordance with the recommendation of the Canadian securities regulatory authorities set forth in Section 3.1 of National Policy 58-201 — *Corporate Governance Guidelines* (see “Trustees and Officers”).

Further, the promoter of the Fund, Starlight Group, has the credibility and expertise necessary in order to successfully complete the Offering and to ensure that it sources and identifies appropriate investments on behalf of the Fund, given its prior track record, as well as its commitment to subscribe for Units of the Fund (see “Principal Securityholders” and “The Manager and the Management Agreement”).

INTERPRETATION

In this Prospectus, all references to “\$” are to Canadian dollars. Certain terms used in this Prospectus are defined under “Glossary of Terms”.

In this Prospectus, references to the Fund, where the context requires, includes its Subsidiaries and any nominee entities on their behalf. In addition, any reference to the indirect acquisition of Properties by the Fund means the acquisition of the Properties by the Fund through its interests in Starlight Western Canada Multi-Family (No. 2) Holding LP (“**Holding LP**”), which will be the indirect owner or acquirer of such Properties through nominee entities.

Unless otherwise noted herein, the disclosure in this Prospectus assumes that the Fund will wholly and indirectly acquire the Properties without participation by any co-investors. Co-investors, if any, may invest by acquiring securities of the Holding LP or otherwise as the Trustees determine to be in the best interests of the Fund. Such co-investors who acquire securities of the Holding LP would be entitled to the rights associated with securities of the Holding LP, as described in this Prospectus. See “Risk Factors – Risk Factors Relating to the Fund – Co-investment/Joint Ventures”.

Unless otherwise noted herein, the disclosure in this Prospectus assumes that (a) all Class C Units are sold under the Prospectus, and (b) there is not a concurrent private placement of additional trust units.

FORWARD-LOOKING STATEMENTS

This Prospectus includes statements with respect to the Fund, including its business operations and strategy, and financial performance and condition, which may constitute forward-looking information, future oriented financial information, or financial outlooks (collectively, “**forward-looking information**”) within the meaning of Canadian securities laws. Forward-looking information may relate to the Fund’s future outlook and anticipated events, including future results, performance, achievements, prospects or opportunities for the Fund or the real estate industry and the Offering and may include statements regarding the financial position, budgets, litigation, projected costs, financial results, taxes, plans and objectives of, or involving, the Fund. Particularly, statements regarding the Fund’s expected annual distribution yield, total return on liquidation, target investments, exit strategy and timing thereof, use of local property managers and analytical business strategy, the expected date of completion of the Offering, future market demographics and projected occupancy rates of the Initial Portfolio, are forward-looking information. Such forward-looking information in some cases, can be identified by terminology such as “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “seek”, “aim”, “estimate”, “target”, “project”, “predict”, “forecast”, “potential”, “continue”, “likely”, “schedule”, or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking information in this Prospectus includes, but is not limited in any manner to statements with respect to:

- (a) the Fund’s expectations with respect to the impact of COVID-19 and related public health protection measures on its business, operations and financial results;
- (b) opportunities in the Western Canada multi-family real estate market and the availability of a substantial inventory of income producing multi-family properties;
- (c) optimal market conditions in the Primary Markets;
- (d) expectations regarding recent economic developments in Canada and the future of Canadian multi-family real estate markets generally;
- (e) the forecasted financial results of the Fund for the periods set out in the “Financial Forecast” section of this Prospectus;
- (f) the Fund’s intention, after the completion of the acquisition of the Initial Portfolio, to use the remaining net proceeds from the Offering and any concurrent private placements, together with indebtedness, within six months to acquire additional Properties;
- (g) opportunities to increase the NOI of the Initial Portfolio;
- (h) the availability of financing for the Properties;
- (i) the Fund’s intention to make distributions monthly;
- (j) the number of Class C Units for which senior management of the Manager and certain Lead Investors will subscribe;

- (k) the possibility of the Manager leveraging its network in the residential sector to explore possible co-investments between the Fund and potential co-investors;
- (l) the Fund's objective to enhance the operating income and property values through active asset management, which may include leasing non-stabilized properties, increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions;
- (m) the expected rental rates for non-stabilized properties and rental increases as a result of the Manager's asset management plan, including increasing in-place rents to market rents;
- (n) the Fund's target annual pre-tax distribution yield and investor internal rate of return for the term of the Fund, in each case across all Unit classes;
- (o) acquisitions or dispositions, financing and the availability of financing, future economic conditions, liquidity and capital resources, marketing growth and development, future operating efficiencies, tenant incentives and occupancy levels;
- (p) the Term;
- (q) the anticipated Closing Date of the Offering;
- (r) the possibility of completing any private placements concurrent with the closing of the Offering;
- (s) the expected public filings of the Fund; and
- (t) the expectation that the Fund will satisfy the requirements stipulated by the Tax Act to qualify as a "mutual fund trust" and that the Fund will not be a "SIFT trust" for purposes of the Tax Act.

Information contained in forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the ability to deploy the remaining proceeds from the Offering, if any; the impact of COVID-19 and variants thereof on the Fund's portfolio as well as the impact of COVID-19 on the markets in which the Fund operates; the applicability of any government regulation concerning the Fund's tenants or rents as a result of COVID-19 or otherwise; the realization of property value appreciation and timing thereof; the inventory of multi-family real estate properties; the availability of multi-family properties (other than the Initial Portfolio) for acquisition and the price at which such properties may be acquired; the price at which Properties may be disposed and the timing thereof; closing and other transaction costs in connection with the acquisition and disposition of Properties; the availability of mortgage and other financing and current interest rates; the capital structure of the Fund; the extent of competition for multi-family properties; the growth in NOI generated from active asset management; the population of multi-family real estate market participants; assumptions about the markets in which the Fund's Subsidiaries intend to operate; expenditures and fees in connection with the maintenance, operation and administration of the Properties; the ability of the Manager to manage and operate the Properties; the Canadian economic environment; and governmental regulations or tax laws. Given this unprecedented period of uncertainty, there can be no assurance regarding: (a) the impact of COVID-19 and variants thereof on the Fund's business, operations and performance or the volatility of the Units; (b) the Fund's ability to mitigate such impacts; (c) credit, market, operational, and liquidity risks generally; (d) that the Manager or any of its affiliates, will continue its involvement as asset manager of the Fund in accordance with its asset management agreement; and (e) other risks inherent to the Fund's business and/or factors beyond its control which could have a material adverse effect on the Fund. With respect to factors and assumptions used to calculate the 12% pre-tax investor internal rate of return, please see "Description of the Securities Distributed – Units – Distributions". While the Manager considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

Although the Manager believes that the expectations reflected in such forward-looking statements are reasonable and represent the Fund's internal projections, expectations and beliefs at this time, such statements involve known and unknown risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Fund's control, may affect the operations, performance and results of the Fund, and could cause actual results in future periods to differ materially from current expectations of estimated or anticipated events or results expressed or implied by such forward-looking statements. Such factors include, among other things, the availability of suitable Properties for purchase by the Fund, the availability of mortgage financing for such Properties, as well as general economic and market factors, including interest rates, prospective

purchasers of real estate, the attractiveness of the Properties and the ability of the Fund to sell its Properties upon termination of the Fund, business competition, and changes in government regulations or income tax laws. See “Risk Factors”. Investors are cautioned against placing undue reliance on forward-looking statements. Except as required by law, the Fund undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

MARKET DATA

This Prospectus contains statistical data, market research and industry forecasts that were obtained from government and industry publications and reports or are based on estimates derived from such publications and reports and the Manager’s knowledge of, and experience in, the markets in which the Fund operates. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Actual outcomes may vary materially from those forecast in such publications or reports, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While the Manager believes this data to be reliable, market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy, currency and completeness of this information cannot be guaranteed. None of the Fund, the Manager or the Agents has independently verified any of the data from third party sources referred to in this Prospectus or ascertained the underlying assumptions relied upon by such sources. Nothing stated in this paragraph operates to relieve the Fund, the Manager or the Agents from liability for any misrepresentation contained in this Prospectus under applicable Canadian securities laws.

NON-IFRS MEASURES

Certain measures in this Prospectus do not have any standardized meaning as prescribed by IFRS and are therefore, considered non-IFRS measures. These measures are provided to enhance the reader’s overall understanding of the Fund’s current financial condition. They are included to provide investors and the Fund’s management with an alternative method for assessing the Fund’s operating results in a manner that is focused on the performance of the Fund’s ongoing operations and to provide a more consistent basis for comparison between periods. These measures include widely accepted measures of performance for Canadian real estate investment trusts; however, these measures are not defined by International Financial Reporting Standards (“IFRS”). In addition, the definitions of these measures are subject to interpretation by the preparers and may not be applied consistently. These non-IFRS and additional IFRS measures include adjusted funds from operations (“**AFFO**”), average monthly rent (“**AMR**”), capitalization rate (“**Capitalization Rate**”), funds from operations (“**FFO**”), gross book value (“**Gross Book Value**”), indebtedness (“**Indebtedness**”), indebtedness coverage ratio (“**Indebtedness Coverage Ratio**”), indebtedness to gross book value (“**Indebtedness to Gross Book Value**”), interest coverage ratio (“**Interest Coverage Ratio**”), net operating income (“**NOI**”) and net operating income margin (“**NOI Margin**”). These terms are not measures recognized under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be compared to or construed as alternatives to net income and comprehensive income, profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. AFFO, Capitalization Rate, FFO, Gross Book Value, Indebtedness, Indebtedness Coverage Ratio, Indebtedness to Gross Book Value, Interest Coverage Ratio and NOI, as computed by the Fund, may not be comparable to similar measures as reported by other trusts or companies in similar or different industries. The Fund uses these measures to better assess the Fund’s underlying performance and provides these additional measures so that investors may do the same.

The Fund’s FFO and AFFO definitions provide a general indication of its capacity to earn and distribute cash returns to Unitholders as required by the Declaration of Trust. FFO and/or AFFO as computed by the Fund may differ from similar computations as reported by other similar organizations and, accordingly, may not be comparable to FFO and/or AFFO as reported by such organizations. FFO and AFFO has been developed as a supplemental measure of operating performance for the real estate industry. The Real Property Association of Canada, after discussions with Canadian real estate publicly accountable entities, developed and published a white paper on FFO and AFFO for IFRS. The report contains standard adjustments that are made to net comprehensive earnings with the desire to adjust it to be a better measure of cash generated or distribution capacity. The IFRS measurement most directly comparable to FFO and AFFO is net income. See “Forecasted Non-IFRS Reconciliation” for reconciliations of forecasted FFO and AFFO to forecasted net income. FFO and AFFO should not be construed as alternatives to net income or cash flow from operating activities, determined in accordance with IFRS as indicators of the Fund’s performance.

Non-IFRS and Additional IFRS Measures

The following non-IFRS measures are used to monitor the Fund's financial performance. All non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are included to provide investors and management with an alternative method for assessing the Fund's operating results in a manner that is focused on the performance of the Fund's ongoing operations.

AFFO is defined as FFO subject to certain additional adjustments, including: (i) amortization of fair value mark-to-market adjustments on loans assumed; (ii) amortization of financing costs; (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Manager; and (iv) vacancy costs associated with the suite upgrade program. Other adjustments may be made to AFFO as determined by the Manager. AFFO is presented in this Prospectus because the Manager considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities, as it does not consider changes in working capital. AFFO has not been calculated in accordance with the Real Property Association of Canada definition, as the Fund adjusts for non-cash items to better measure the sustainability of future distributions, and no presentation of adjusted cash flow from operations as defined by the Real Property Association of Canada is made.

Cash provided by operating activities including interest paid, is a measure of the amount of cash generated from operating activities including interest paid and is presented in this Prospectus because the Manager considers this non-IFRS measure when determining the sustainability of future distributions paid to Unitholders.

FFO is defined as net income and comprehensive income in accordance with IFRS, excluding fair value adjustments of the investment properties, fair value adjustments on derivative instruments, distributions to Unitholders on Units classified as financial liabilities, deferred income tax expense, realized or unrealized foreign exchange gains and losses and provisions for carried interest. FFO payout ratio compares distributions declared to FFO. FFO is a measure of operating performance based on the funds generated from the business before reinvestment or provision for other capital needs. FFO is presented in this Prospectus because the Manager considers this non-IFRS measure to be an important measure of operating performance and is calculated in accordance with Real Property Association of Canada.

Other Financial Measures

AMR is defined as the total in place rents divided by the total number of suites occupied as at the reporting date.

Capitalization Rate is defined as the unlevered yield of a property calculated by dividing the NOI of the property by the purchase price of the property. Capitalization Rate is presented in this Prospectus because the Manager considers it relevant in interpreting the purchase price of the Properties being acquired.

Economic occupancy is calculated by taking effective net rent after considering vacancy and concessions and dividing by gross potential rent. The Fund considers this an important operating metric to evaluate the extent to which revenue potential is being realized.

Gross Book Value is defined as the fair market value of the Fund's investment properties. Gross Book Value is presented in this Prospectus because the Manager considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness is defined as the face value of mortgages payable and any other debt directly related to investment properties. Indebtedness is presented in this Prospectus because the Manager considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness Coverage Ratio is defined as net income and comprehensive income in accordance with IFRS before deferred taxes and provisions for carried interest plus finance costs, which include amortization of financing costs and mortgage premiums (discounts), fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy the Fund's debt service obligations. Indebtedness Coverage Ratio is presented in this Prospectus because the Manager considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest payments and ultimately the ability of the Fund to make cash distributions to Unitholders.

Indebtedness to Gross Book Value is defined as the Fund's Indebtedness divided by the Fund's Gross Book Value of the Fund's investment properties. Indebtedness to Gross Book Value is presented in this Prospectus because the Manager considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Interest Coverage Ratio is defined as net income and comprehensive income in accordance with IFRS before deferred taxes and provisions for carried interest plus finance costs, which include amortization of financing costs and mortgage premiums (discounts), fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest expense. Interest expense is defined as actual interest on debt instruments. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this Prospectus because the Manager considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest payments and ultimately the ability of the Fund to make distributions to Unitholders.

NOI is defined as all property revenue, less direct property operating costs such as utilities, realty taxes, repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI Margin is defined as NOI divided by revenue from property operations. NOI and NOI Margin are presented in this Prospectus because the Manager considers these non-IFRS measures to be important measures of operating performance and uses these measures to assess the Fund's property operating performance on an unlevered basis.

MARKETING MATERIALS

The following marketing materials (as such term is defined in NI 41-101) have been filed with the securities commission or similar authority in each of the provinces of Canada, other than Québec, in connection with the Offering and are incorporated by reference into this Prospectus (the "**Marketing Materials**"):

- (a) the template version of the roadshow presentation dated December 1, 2021, as revised on January 17, 2022; and
- (b) the template version of the term sheet dated November 30, 2021, as revised on January 17, 2022.

Information in the initial template versions of the Marketing Materials has been modified in view of the revised Minimum Offering and Maximum Offering and related assumptions relating to the Offering disclosed in notes (5) and (6) on page (ii) of this Prospectus, and the inclusion of the Langford Property 2, Vernon Property and Vernon Property 2.

Pursuant to subsection 13.7(7) of NI 41-101, the Fund has prepared revised template versions of the Marketing Materials, which have been blacklined to reflect the modified statements. The foregoing summary of modifications is not exhaustive and is qualified by the modifications contained in the revised template versions of the Marketing Materials and the blacklined versions of such documents which have been filed with the securities commission or similar authority in each of the provinces of Canada, other than Québec, and can be viewed under the Fund's profile on SEDAR at www.sedar.com.

The template versions of the Marketing Materials are not part of this Prospectus to the extent that the contents of the template versions of the Marketing Materials are modified or superseded by a statement contained in this Prospectus or in a revised template version of such Marketing Materials.

In addition, any template version of any other marketing materials filed with the securities commission or similar authority in each of the provinces of Canada, other than Québec, in connection with this Offering after the date hereof but prior to the termination of the distribution of the securities under this Prospectus is deemed to be incorporated by reference into this Prospectus.

ELIGIBILITY FOR INVESTMENT

Based on the current provisions of the Tax Act, in the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, and Wildeboer Dellelce LLP, counsel to the Agents, the Units would, if issued on the date hereof, be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans ("DPSPs"), registered education savings plans ("RESPs"), registered disability savings plans ("RDSPs") and tax-free savings accounts ("TFSAs", and, together with RRSPs, RRIFs, DPSPs, RESPs and RDSPs, "**Plans**"), *provided that* the Fund qualifies at all times as a "mutual fund trust" (as defined in the Tax Act).

Notwithstanding the foregoing, if the Units are a "prohibited investment" for a TFSA, RRSP, RESP, RDSP or RRIF, the holder of such TFSA or RDSP, the annuitant of such RRSP or RRIF or the subscriber of such RESP, as the case may be,

will be subject to a penalty tax as set out in the Tax Act if Units are held in a trust governed by such Plan. The Units will not be a prohibited investment for a TFSA, RRSP, RESP, RDSP or RRIF provided the holder, subscriber or annuitant thereof, as the case may be, (i) deals at arm's length with the Fund for purposes of the Tax Act, and (ii) does not have a "significant interest" (as defined in the Tax Act) in the Fund. In addition, the Units will not be a "prohibited investment" for a TFSA, RRSP, RESP, RDSP or RRIF if such units are "excluded property" as defined for purposes of the prohibited investment rules in the Tax Act for trusts governed by a TFSA, RRSP, RESP, RDSP or RRIF.

Prospective purchasers who intend to hold Units in a trust governed by a Plan are advised to consult their personal tax advisors.

Property or notes received in connection with an *in specie* redemption of Units by the Fund generally will not be a qualified investment for trusts governed by Plans, which may give rise to adverse tax consequences for a trust governed by a Plan that receives such property or notes, or to the annuitant, beneficiary, subscriber or holder of such Plan. Accordingly, each annuitant, beneficiary, holder or subscriber under or of a Plan should consult with his or her own tax advisors before deciding to exercise the redemption rights attached to the Units held by a trust governed by such Plan.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Certain terms and abbreviations used in this summary are defined in the Glossary of Terms provided herein.

Issuer: Starlight Western Canada Multi-Family (No. 2) Fund (the “**Fund**”) is a newly-created “open-ended fund”, managed by the Manager, a Subsidiary of Starlight Group. The Fund was formed under and is governed by the laws of the Province of Ontario and was established on November 12, 2021 pursuant to the initial declaration of trust of the Fund.

Trustees and Officers: The Fund has a Board consisting of three Trustees, being Mandy Abramsohn, Denim Smith and Lawrence D. Wilder, with Denim Smith as Chair of the Board. The Board is comprised of candidates that are 100% independent and 33% female. The officers of the Fund are Daniel Drimmer (President and Chief Executive Officer), Glen Hirsh (Chief Operating Officer), Martin Liddell (Chief Financial Officer) and David Hanick (Corporate Secretary). See “Trustees and Officers” and “The Manager and the Management Agreement”.

The Manager: The Fund will be managed by the Manager, a limited partnership formed under the laws of the Province of Ontario and a Subsidiary of Starlight Group, which will be engaged by the Fund in the identification, acquisition, ownership, operation and disposition of income-producing multi-family properties. Led by a team of industry veterans with a record of creating long-term investor value, Starlight is an experienced multi-family real estate owner and asset manager. Starlight’s principal, Mr. Drimmer, has over 25 years of experience identifying undervalued properties in the multi-family real estate sector, acquiring such properties and realizing value through individual asset or portfolio sales. The members of senior management, including Daniel Drimmer, Glen Hirsh, Martin Liddell and David Hanick, have significant experience in the Canadian and United States multi-family real estate sector. As a result of Starlight’s reputation for transacting and its prior experience in the Canadian multi-family sector including in Western Canada, Starlight has a strong pipeline and an established network in Western Canada from which to source future acquisitions.

Starlight has (a) established a track record as a real estate asset manager of similar assets and (b) a demonstrated ability to identify opportunities for superior returns in the Primary Markets. Starlight has repositioned over 10,000 suites with a total capital cost of over \$1 billion, achieving greater than 30% rental gain post upgrades.

Starlight currently owns and/or asset manages \$25.0 billion in assets in Canada and the U.S., including more than 900 properties, approximately 70,000 multi-family suites (of which approximately 10,000 multi-family suites are located in the United States primarily in Sunbelt and Mountain states having a current value of approximately \$4.0 billion and of which approximately 60,000 multi-family suites are located in Canada spread across seven provinces and all three territories, with a current approximate value of \$19.0 billion and generating a 24% realized gross internal rate of return since inception), and approximately 9,000,000 square feet of commercial space in Canada through various entities (spread across six provinces and two territories with a current approximate value of \$2.0 billion), including in partnership with several global institutional investors and family offices.

Starlight also operates Starlight Capital, which focuses on listed global real estate and infrastructure securities through structured products, mutual funds and exchange traded funds, the principals of which have over 12 years of publicly listed investment management experience.

Starlight co-invests a significant amount of equity in every new fund to ensure meaningful alignment of interests with investors. As of December 31, 2020, Starlight has achieved a 25% gross internal rate of return, composed of leveraged fund level returns (before asset management and carried interest payments) on all realized investments in its overall portfolio, across all investment structures, including private and public funds.

During the past ten years, Starlight’s principal, Daniel Drimmer, has acquired, operated and sold in excess of 130,000 multi-family suites. Also, during this time period, Starlight has established a reputation for identifying acquisitions, repositioning assets and driving value through a hands-on asset management approach as well as executing financing strategies. Starlight’s speed of execution for

acquisitions is due to its disciplined yet entrepreneurial decision-making approach and flat organizational structure. The Manager is wholly-owned by Starlight and controlled by its principal, Daniel Drimmer (see the biography of Mr. Drimmer under “Trustees and Officers – Name, Address, Occupation and Security Holdings – Personal Profiles”).

Results of Starlight Western Canada Multi-Family Limited Partnership

Starlight Western Canada Multi-Family Limited Partnership (“**Western Canada Multi-Family LP**”) was launched on December 18, 2020. Western Canada Multi-Family LP targeted income-producing multi-family real estate properties in Western Canada that demonstrated value. As at September 30, 2021, the fair value of the properties comprising the Western Canada Multi-Family LP portfolio was \$196.78 million resulting in Western Canada Multi-Family LP recognizing an increase in the value of the properties of \$24.1 million from the date of acquisition of each such property to September 30, 2021. The fair values are based on the appraised values and reflect the underlying fundamentals and market conditions as well as the Manager’s active asset management strategy. As at September 30, 2021, Western Canada Multi-Family LP raised a total of \$47.5 million in equity and had a distribution yield of 3.5%.

The information about performance of other investment funds managed by the Manager or its affiliates presented herein should not be construed to be indicative of future performance of the Fund. See “Risk Factors – Risk Factors Relating to the Fund – Prior Fund Performance May Not be Indicative of Future Performance”.

Investment Strategy: The Fund was established for the primary purpose of directly or indirectly acquiring, owning, operating and stabilizing a portfolio composed of income-producing multi-family real estate properties in the Primary Markets that demonstrate value based on pricing and local supply and demand trends to achieve the Fund’s target metrics by increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions as a result of active asset management, and that are located in the Primary Markets. The Manager believes the western Canadian multi-family real estate sector presents a compelling investment opportunity and provides competitive long-term returns when compared to other real estate opportunities.

Investment Objectives: The Fund’s investment objectives are to:

- (a) directly or indirectly acquire, own, operate and stabilize a portfolio of newer vintage and newly constructed income-producing, multi-family real estate properties which are geographically diversified across the Primary Markets;
- (b) make stable monthly cash distributions; and
- (c) enhance earnings from the Properties through active asset management, which may include leasing non-stabilized properties, increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions, best-in-class property management and economies of scale.

The Fund will target an annual pre-tax distribution yield of 3.0% to 4.0% on Gross Subscription Proceeds across all Unit classes and aim to realize a minimum 12% pre-tax investor internal rate of return across all Unit classes upon disposition (directly or indirectly) of the Fund’s interests in its assets at or before the end of the targeted three-year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class (or series, as applicable) of Unit and applicable Unit Class Expenses. In the event the Gross Subscription Proceeds are \$61,000,000 or greater, the net proceeds from the Offering and any concurrent private placements will be in excess of the amount required to complete the purchase of the Initial Portfolio and, therefore, initially, not all of the net proceeds from the Offering and any concurrent private placements will be deployed by the Fund to directly or indirectly acquire interests in income-producing properties. The net proceeds from the Offering and any concurrent private placements which exceed the amount required to complete the purchase of the Initial Portfolio are not expected to have an impact on Distributable Cash Flow and, accordingly, until such excess funds are deployed by the Fund to directly or indirectly acquire interests in one or more income-producing

properties, the annualized pre-tax distribution yield per Unit may be less than the targeted yield per Unit. See “Risk Factors” and “Description of the Securities Distributed – Units – Distributions”.

In order to meet its investment objectives, the Fund’s investment strategy will be as follows:

Acquisition of Western Canadian Multi-Family Real Estate

- (a) Identify multi-family acquisition opportunities in the Primary Markets in addition to the Initial Portfolio through the Manager’s strong pipeline of exclusive acquisition opportunities by leveraging the Manager’s relationships with principals, operators, brokers and other real estate asset managers and by its ability to source “off market” opportunities.
- (b) Target multi-family assets that are:
 - (i) newer vintage or newly constructed properties that have not been stabilized or demonstrate the opportunity to increase in-place rents to market rents, with significant value upside; and
 - (ii) strategically located properties in the Primary Markets, which demonstrate a supply-demand imbalance as well as barriers to new development.
- (c) Complete a comprehensive due diligence program, including cash flow and operating expense reviews, and, where applicable, third-party reports including market studies, structural and environmental assessments and appraisals.
- (d) Conduct a broad canvass of the lending community, including lenders with whom the Manager enjoys long-term relationships, to secure debt financing on competitive terms.
- (e) Explore, from time to time, co-investment opportunities involving the Fund and one or more co-investors. See “Investment Strategy – Potential Co-Investments”.

Asset Value Enhancement Through Active Asset Management Strategy

- (a) Utilize the Manager’s network to source attractive future acquisitions from principals, operators, brokers and other real estate asset managers.
- (b) Seek ancillary income opportunities such as cable, antenna and laundry contracts as well as package handling and visitor and tenant parking, where achievable.
- (c) Reduce Operating Expenses such as staffing, energy and water expenses through sub-metering (currently, 83% of the suites at the Nanaimo Property are sub-metered), maintenance contracts, general and administrative expenses, and insurance through economies of scale.
- (d) Utilize reputable best-in-class property managers.

Western Canada

The Manager will target acquisitions in the Primary Markets, where markets feature:

- (a) compelling employment, population and economic growth rates;
- (b) attractive opportunities for new immigrants to Canada;
- (c) consistently low rental vacancy rates and high rental growth rates; and
- (d) relatively comfortable climates and quality of life.

Value Realization

- (a) Asset value increases are expected by the Manager to be realized through a combination of NOI growth, through, among other things, active asset management resulting in increased rental rates and a pricing premium on the aggregated portfolio.

- (b) The Manager, on behalf of the Fund, may execute dispositions, directly or indirectly, throughout the Term on a single asset or portfolio basis through private and public market transactions to maximize value.
- (c) The private real estate investment market and the public capital markets will be monitored to seek an exit strategy that can be executed with a view towards maximization.

Strategic Western Canadian Market and Asset Class Focus

The Manager believes:

- (a) multi-family fundamentals are strong, featuring both strong occupancy rates and appealing long-term rental growth rates due to the supply-demand imbalance in the Primary Markets;
- (b) declining home ownership affordability and positive demographic trends including immigration increasingly support strong demand for rental accommodation, which should enhance the sector's performance;
- (c) people are attracted to markets featuring job availability, high quality of life, rental housing affordability and comfortable climates;
- (d) the multi-family asset class has demonstrated resiliency during COVID-19 with occupancy, rent growth and collection levels above those of other real estate asset classes;
- (e) attractive debt financing rates create positive leverage; and
- (f) multi-family real estate provides strong, risk-adjusted, long-term returns compared to other real estate asset classes.

The Manager plans to provide the Fund with the platform necessary to capitalize on this opportunity, offering its experience, expertise, and the benefit of its established network of industry contacts. The Manager believes the multi-family real estate sector in Western Canada currently provides an opportunity to acquire multi-family properties at favourable pricing. The Manager believes real estate investment trusts and institutional investors have focused their attention on trophy assets and urban core markets that have lower perceived risk, higher liquidity, and more favourable lending characteristics. Consequently, the Manager believes there exists an inventory of income-producing, multi-family properties in the Primary Markets that it can source on an "on" and "off" market basis at attractive pricing. Additionally, the Manager expects that the low interest rate environment and investors' demand for yield will lead to an increase in demand for income-producing real estate.

Financing Strategy

The Fund seeks to take advantage of near-record low fixed-rate interest rates (approximately 2.0%) currently available through Canadian Mortgage and Housing Corporation ("CMHC") insured mortgage lenders. Through loan assumption and direct application through CMHC, the Fund has obtained financing terms for the Initial Portfolio to approximately 65% loan to value. The Fund intends to add a secondary interest-only mortgage behind the CMHC-insured mortgages to a maximum of 75% loan to value at very competitive mortgage rates (approximately 2.5%) to ensure the capital structure of each property is optimized. The second mortgage is expected to be on a floating basis with the flexibility to refinance should the Fund elect to do so.

Investment Highlights:

Resilient Canadian Economy

Coming from a position of strength, Canada's economy has remained resilient through the COVID-19 pandemic and is currently almost at pre-COVID-19 levels. Over the past ten years, Canada has experienced strong population growth driven by high levels of immigration, attracting on average around 273,000 immigrants per year. Despite the impact of the pandemic, these levels remained stable in 2020 - 2021 and are expected to grow moving forward with more than 411,000 new immigrants forecasted per year over the next three years (2021 – 2023). Continued strength in immigration has supported employment growth, economic growth and wage growth. Canada's employment has fully

recovered to February 2020 levels at approximately 6% unemployment and wage growth is expected to increase at a steady rate. In 2020, Canada's annual wages increased by 3.2%.

In response to the shutdowns caused by the pandemic, the Canadian Government implemented a substantial direct fiscal spending package to provide financial support to affected households. This government support has been effective in minimizing unemployment and helping those unable to work due to the pandemic to be able to afford their living expenses including rent.

Canada Multi-Family – Backed by Strong Fundamentals

The Canadian rental housing market is experiencing a significant market dislocation between demand and supply that has been further accelerated by the COVID-19 pandemic. This acceleration is being driven by:

1. Higher Levels of Immigration;
2. Changes in Lifestyle and Increasing Need for Flexibility; and
3. Deteriorating Affordability.

Immigration: Canada has historically experienced high levels of immigration, which is expected to continue. According to statistics Canada, the Canadian government is targeting to welcome over 1.23 million new immigrants over the next three years. Statistics Canada has forecasted that Western Canada will receive approximately 15% of Canada's total immigration over the next three years, which equals approximately 183,000 immigrants. This continued population growth is expected to further strengthen the demand for rentals.

Changes in Lifestyle: One-person households, which are more likely to rent than own, are now the most common type of household in Canada. According to Statistics Canada, over the past 50 years, one-person households have increased by approximately 25%. This trend is expected to continue with a forecasted increase of approximately 1.3 million one-person households by 2036 (approximately 30% of total households). Furthermore, shifts in lifestyle preferences are supporting increased rental demand. According to a survey completed by Informa Canada, over 60% of respondents listed lifestyle preferences as a reason to rent instead of own.

Deteriorating Affordability: According to Statistics Canada and Canadian Real Estate Association ("CREA"), over the past ten years, home prices in Canada have increased three to four times more than income. Given the significant imbalance between the growth of average home prices and growth of income, home ownership is becoming increasingly more challenging and as a result demand is increasing for rentals.

Western Canada Multi-Family Outperformance

Western Canada is well positioned for future growth due to its strong underlying market fundamentals and represents a compelling investment opportunity driven by:

- Higher Population and Employment Growth;
- Lower Vacancy and Higher Rental Rate Growth;
- Deteriorating Affordability; and
- Insufficient Rental Supply.

Population and Employment: Western Canada has consistently outperformed the rest of Canada with higher average population growth and employment growth. According to the Government of BC and Statistics Canada, between the periods of 2015-2020 Western Canada experienced population growth of 1.44% (an increase of 371,000 individuals) and employment growth of 2.02% in comparison to Canada's growth of 1.19% and 1.18% respectively. This growth is expected to continue over the next five years with Western Canada forecasted to experience annual population growth of 1.18% and employment growth of 2.27% compared to Canada's 0.98% and 1.93% respectively.

Vacancy and Rental Rates: According to CMHC, Western Canada has experienced historically lower vacancy and higher average annual rent growth than the rest of Canada. Between the periods of 2015-2020 Western Canada's vacancy rate remained at an average of 1.6% in comparison to Canada's

vacancy rate of 3.1%. Due to the high rental demand in Western Canada the market has also experienced high rental rate growth. Over the past five years, Western Canada's rental rate growth has averaged 4.6% outpacing Canada's rental rate growth of 3.1%.

Deteriorating Affordability: The multi-family sector in Western Canada can be characterized by constrained new supply and rapidly increasing demand. This dislocation has only worsened through COVID-19, further driving demand for rental apartments. Coupled with high population growth and high economic growth, the deteriorating affordability in Western Canada is putting additional pressure on demand for rentals.

Using data from CREA and Statistics Canada, over the past five years, average home prices in Western Canada have increased by approximately 83%. This increase in home prices has surpassed income growth by approximately five times over the same period. As a result, the average time to save for a deposit to buy a home in Western Canada has increased from approximately 12 years in 2015 to approximately 20 years in 2021.

In addition to increasing price barriers for home ownership in Western Canada, the average carrying costs of home ownership are significantly higher than renting. Based on CREA's data for average home prices, the annual carrying costs (including mortgage payments, maintenance costs, property taxes and insurance) to own a single-detached family home and a two-bedroom condominium are approximately 68% and 36% of median annual household income, respectively. This is significantly higher than the annual cost to rent a two-bedroom apartment at approximately 19% of medium household income.

Rental Supply: Increasing rental demand in Western Canada is being met with insufficient supply. According to CMHC, over the past five years, Western Canada has only added, on average, approximately 13,000 purpose-built rental suites per year. Starlight estimates a shortfall of approximately 24,000 purpose-built rental suites over the next three years based on CMHC's count of purpose-built rental suites currently under construction and Western Canada's forecasted immigration targets.

The Initial Portfolio

Following the completion of the Offering, the Fund intends to indirectly acquire the Initial Portfolio, comprising 495 multi-family suites in five Properties located in Nanaimo, Langford, and Vernon, British Columbia ("BC"). The Properties are institutional quality, in desirable geographic locations, well-tenanted and indicative of the types of properties the Fund intends to continue to acquire as part of its business strategy.

Langford, BC

Located in the Greater Victoria Region ("GVR"), the City of Langford has the fastest growing population in BC. The municipality of Langford has a population of approximately 35,000 residents, which is expected to increase by 62% by the year 2038. Langford's population growth has been driven by young professionals, families and by Langford's proximity to Downtown Victoria (12.3 kilometers). This demographic (population aged 15-54) now comprises approximately 57% of Langford's population. Due to the decreasing land and development space in Victoria, Saanich, and Esquimalt, Langford has become an attractive location to find opportunities in commercial and retail space. Langford is known for its stunning views of the West Shore, Victoria, Juan de Fuca Strait and the Olympic Mountains. The GVR is home to the Government of BC, University of Victoria and Canada's Pacific Coast Naval Base, which are among its largest employers and are known for providing stable and high-quality employment.

The Langford Multi-Family Market

The City of Langford is located in the GVR, where Victoria's total employment has increased by 11.0% over the last five years and is expected to experience job growth for the next five years. Victoria has rebounded strongly from COVID-19 with year-over-year job growth of 2.1%. Effective rents have grown 4.4% from 2019 to 2020 due to the high demand for rentals. Victoria also has a household median income of \$70,197, and the "Langford/VW Royal/Colwood/Sooke" region has a median household income of \$79,878. Victoria multi-family rent growth averaged 4.43% between the periods of 2017-2020 and is forecasted to end 2021 with significant rent increases. Specifically, in the GVR of "Langford/VW Royal/Colwood/Sooke" the multi-family rent growth averaged 5.74% per annum between the periods of 2017-2020.

The Victoria multi-family market consists of approximately 28,206 suites. In the fourth quarter of 2020, occupancy was extremely strong at 97.80% which is lower than in 2019 when it was at 99.0% due to COVID-19, however there is limited new supply which will further increase rents and reduce vacancy going forward.

Nanaimo, BC

According to the 2021 State of the Nanaimo Economy Report (“**SOE Report**”), Nanaimo’s gross domestic product (“**GDP**”) has grown by 10% since 2010 accounting for approximately 1.6% of BC’s GDP on a population of just over 100,000 people. Growth is primarily due to the health care, real estate rental, transportation, warehousing and education sector. According to the SOE Report, Nanaimo’s unemployment rate doubled primarily due to business closures stemming from COVID-19. Since September 2020 the Victoria region regained significant employment resulting in an unemployment rate of 4.4% in September 2021. Located near Vancouver, Nanaimo is known for its stunning waterfront and spectacular ocean views with a backdrop of Mount Benson which rises 3,300 feet. Nanaimo is home to one of the largest shorelines in Canada that provides access to both wilderness beauty and business centres.

The Nanaimo Multi-Family Market

Nanaimo has rebounded strongly from COVID-19. In 2020, effective rents have grown 7.0% (8.6% growth for two-bedroom suites) and vacancy has dropped to 1.0% due to the high demand for rentals. Nanaimo also has a household median income of \$71,711, which represents a 15.7% increase in the last five years.

The Nanaimo apartment market consists of approximately 4,132 suites. In the fourth quarter of 2020, occupancy was 99.0% which is higher than in 2019 when it was at 98.1%. There is limited new supply expected soon which will further increase rents.

Vernon, BC

Located in the Okanagan Valley, Vernon serves as the largest municipality in the Northern Okanagan Region, with a population of over 40,000 residents serving a regional population in excess of 100,000 residents. The majority of the population of Vernon falls into the 20-64 age range with this demographic representing 56% of residents. 91% of all Vernon residents have a high school diploma or higher education. Vernon’s economy is driven largely by healthcare as it serves as the regional health authority of BC’s Interior Region. The second to largest economic driver in Vernon is the hospitality and tourism industry; tourists are drawn in by Vernon’s location at the northern extremity of Okanagan Lake and benefits from the views of the surrounding mountain vistas.

The Vernon Multi-Family Market

The City of Vernon is expected to grow by 18% over the next 25 years. Vernon has a limited apartment supply, with only 1,758 suites to service its population of over 40,000 residents. The effect of the supply shortage has seen Vernon’s average rent per suite increased by 24% from 2017-2020. Vernon’s market vacancy rate was strong at 1.0% in the first quarter of 2021.

The following table highlights certain information about the Initial Properties:



733 Goldstream Avenue, Langford, BC



6035 Linley Valley Drive & 4800 Uplands Drive, Nanaimo, BC



2699 Peatt Road, Langford, BC



3400 Centennial Drive, Vernon, BC



1803 31A Street, Vernon, BC

Property	Year Completed	Fund Ownership Interest	Total Suites	Rentable Area (Sq. Ft.)	Average Suite Size (Sq. Ft.)	Land Area (acres)	Purchase Price ⁽¹⁾	Appraised Value	Purchase Price per Suite	Purchase Price per Sq. Ft.	Occupancy	Average Monthly In Place Rent Per Sq. Ft.	Average Monthly In Place Rent Per Suite
733 Goldstream Avenue	2018	100%	60	41,618	694	0.86	\$24,900,000	\$25,600,000	\$415,000	\$598	97% ⁽²⁾	\$2.42 ⁽²⁾	\$1,678 ⁽²⁾
6035 Linley Valley Drive & 4800 Uplands Drive	2020	100%	251	208,906	832	6.90	\$105,100,000	\$110,500,000	\$418,750	\$503	99% ⁽²⁾	\$2.36 ⁽²⁾	\$1,963 ⁽²⁾
2699 Peatt Road	2018	100%	81	55,375	684	0.74	\$32,900,000	\$33,500,000	\$406,173	\$594	100% ⁽³⁾	\$2.46 ⁽³⁾	\$1,679 ⁽³⁾
3400 Centennial Drive	2019	100%	60	47,609	793	1.20	\$18,250,000	\$19,100,000	\$304,167	\$383	98% ⁽³⁾	\$1.87 ⁽³⁾	\$1,485 ⁽³⁾
1803 31A Street	2019	100%	43	36,017	838	0.54	\$12,550,000	\$13,200,000	\$291,860	\$348	98% ⁽³⁾	\$1.82 ⁽³⁾	\$1,527 ⁽³⁾
Totals		100%	495	389,525	786	10.24	\$193,700,000	\$201,900,000	\$406,636	\$513	99%	\$2.19	\$1,666

Notes:

- (1) The Initial Portfolio assets are being indirectly acquired by the Fund from an entity managed and partially owned by an Affiliate of the Manager. The aggregate purchase price for the assets is \$8,200,000 less than aggregate appraised value of the Properties.
- (2) As of October 1, 2021.
- (3) As of November 1, 2021.

The five Initial Properties are newly constructed, well-located and well-maintained multi-family properties with a wide array of amenities to attract and retain residents.

Description of the Initial Portfolio – 733 Goldstream Avenue



733 Goldstream Avenue was recently completed in 2018 and is located approximately 12.6 kilometers west of downtown Victoria, BC. The Property provides convenient access to Goldstream Provincial Park, Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 0.86-acre site, 733 Goldstream Avenue comprises 60 suites in one mid-rise building.

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom.....	625	40
2 Bedrooms	830	20
Average/Total	694	60

The 60 total suites that comprise the Property are constructed on a total rentable area of 41,618 square feet and consist of one and two-bedroom suites. The Property contains 60 total parking spaces, consisting entirely of underground spaces.

As of October 1, 2021, 733 Goldstream Avenue was 97% occupied and produced an AMR in the amount of \$2.42 per square foot, based on the monthly in-place rent roll of all occupied suites.

733 Goldstream Avenue is currently managed by Devon Properties Ltd. Following the acquisition of the Property it is the Manager's intention to continue having the Property managed by Devon Properties Ltd., a boutique property management company with operations in BC.

Description of the Initial Portfolio – 6035 Linley Valley Drive & 4800 Uplands Drive



6035 Linley Valley Drive & 4800 Uplands Drive was completed in 2020 and is located approximately 86.6 kilometers west of downtown Vancouver, BC. The Property provides convenient access to the largest estuary on Vancouver Island, the Nanaimo River estuary. Built on a 6.90-acre site, 6035 Linley Valley Drive & 4800 Uplands Drive comprises 251 suites across three mid-rise buildings.

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom.....	619	67
2 Bedrooms	910	184
Average/Total	832	251

The 251 total suites that comprise the Property are constructed on a total rentable area of 208,906 square feet and consist of one and two-bedroom suites. The Property contains 333 total parking spaces, consisting of 21 surface spaces and 312 underground spaces.

6035 Linley Valley Drive & 4800 Uplands Drive offers unique, best in-class amenities that differentiate it from its competitors. Amenities include a workout facility and wellness centre, storage lockers, indoor bike storage, walking paths, barbeque patio area, children play space and electric vehicle charging station.

As of October 1, 2021, 6035 Linley Valley Drive & 4800 Uplands Drive was 99% occupied and produced an AMR in the amount of \$2.36 per square foot, based on the monthly in-place rent roll of all occupied suites.

6035 Linley Valley Drive & 4800 Uplands Drive is currently managed by Devon Properties Ltd. Following the acquisition of the Property it is the Manager's intention to continue having the Property managed by Devon Properties Ltd., a boutique property management company with operations in BC.

Description of the Initial Portfolio – 2699 Peatt Road



2699 Peatt Road was recently completed in 2018 and is located approximately 13.8 kilometers west of downtown Victoria, BC. The Langford Property 2 provides convenient access to Goldstream Provincial Park, Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 0.74-acre site, 2699 Peatt Road comprises 81 suites in one low-rise building.

Suite Type	Sq. Ft. Average	Number of Suites
Bachelor	260	3
1 Bedroom.....	592	38
2 Bedrooms	802	40
Average/Total	684	81

The 81 total suites that comprise the Langford Property 2 are constructed on a total rentable area of 55,375 square feet and consist of bachelor, one and two-bedroom suites. The Langford Property 2 contains 81 total parking spaces, consisting of 71 underground and 10 above ground spaces.

As of November 1, 2021, 2699 Peatt Road was 100% occupied and produced an AMR in the amount of \$2.46 per square foot, based on the monthly in-place rent roll of all occupied suites.

Following the acquisition of the Langford Property 2 it is the Manager's intention to have the Langford Property 2 managed by Devon Properties Ltd., a boutique property management company with operations in BC.

Description of the Initial Portfolio – 3400 Centennial Drive



3400 Centennial Drive was recently completed in 2019 and is located in Vernon, BC, approximately 50 kilometers north of Kelowna, BC. The Vernon Property provides convenient access to Kalamaka Lake Provincial Park, Kal Beach, Kin Beach and Silver Star Provincial Park. Built on a 1.20-acre site, 3400 Centennial Drive comprises 60 suites in one mid-rise building.

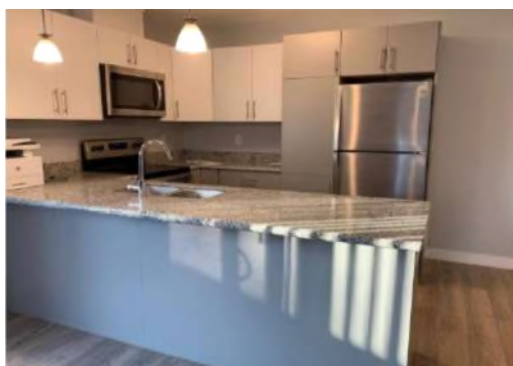
Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom	628	18
2 Bedrooms	811	32
3 Bedrooms	1,042	10
Average/Total	793	60

The 60 total suites that comprise the Vernon Property are constructed on a total rentable area of 47,609 square feet and consist of one, two and three-bedroom suites. The Vernon Property contains 63 total parking spaces, consisting of 35 underground and 28 above ground spaces.

As of November 1, 2021, 3400 Centennial Drive was 98% occupied and produced an AMR in the amount of \$1.87 per square foot, based on the monthly in-place rent roll of all occupied suites.

Following the acquisition of the Vernon Property it is the Manager's intention to have the Vernon Property managed by Devon Properties Ltd., a boutique property management company with operations in BC.

Description of the Initial Portfolio – 1803 31A Street



1803 31A Street was recently completed in 2019 and is located in Vernon, BC, approximately 50 kilometers north of Kelowna, BC. The Vernon Property 2 provides convenient access to Kalamaka Lake Provincial Park, Kal Beach, Kin Beach and Silver Star Provincial Park. Built on a 0.54-acre site, 1803 31A Street comprises 43 suites in one mid-rise building.

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom	568	11
2 Bedrooms	857	20
3 Bedrooms	1,054	12
Average/Total	838	43

The 43 total suites that comprise the Vernon Property 2 are constructed on a total rentable area of 36,017 square feet and consist of one, two and three-bedroom suites. The Vernon Property 2 contains 49 total parking spaces, consisting of 22 underground and 27 above ground spaces.

As of November 1, 2021, 1803 31A Street was 98% occupied and produced an AMR in the amount of \$1.82 per square foot, based on the monthly in-place rent roll of all occupied suites.

Following the acquisition of the Vernon Property 2 it is the Manager's intention to have the Vernon Property 2 managed by Devon Properties Ltd., a boutique property management company with operations in BC.

Acquisition Agreements

The Holding LP will, on the Closing Date, acquire a 100% interest in each of the Nanaimo Property and the Langford Property from an entity managed and partially owned by an Affiliate of Starlight Group through an assignment of the Nanaimo and Langford Properties Purchase Agreement, and will acquire a 100% interest in each of the Langford Property 2, Vernon Property and Vernon Property 2 pursuant to the Langford Property 2 and Vernon Properties Purchase Agreement. The Fund will generally use the proceeds of the Offering to satisfy the purchase price for its indirect acquisition (through the Holding LP) of interests in the Initial Portfolio on the Closing Date or shortly thereafter for a total purchase price of approximately \$193,700,000 pursuant to the agreements described below.

The following is a summary of certain material provisions of each of the Nanaimo and Langford Properties Purchase Agreement and the Langford Property 2 and Vernon Properties Purchase Agreement. This summary does not purport to be complete and reference should be made to the agreements themselves, copies of which will be made available promptly and in any event within seven days after its execution at www.sedar.com.

Nanaimo and Langford Properties Purchase Agreement

Pursuant to the purchase agreement dated as of November 23, 2021, as may be amended from time to time, Starlight Acquisitions Ltd., an Affiliate of the Manager, agreed to purchase the Nanaimo Property and the Langford Property from Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd. and Galaxy Value Add Properties LP for the purchase price of \$130,000,000. The Nanaimo and Langford Properties Purchase Agreement contains customary closing conditions, covenants and representations and warranties, including representations and warranties from Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd. and Galaxy Value Add Properties LP in relation to, among other things, power and authority; execution, delivery and performance; no violation of constating documents; no notice of violation of applicable federal, provincial or local laws, rules or regulations; no notice of litigation or other proceeding; and no other contract or right to purchase, lease or otherwise acquire the Nanaimo Property and the Langford Property currently in effect. The representations and warranties in the Nanaimo and Langford Properties Purchase Agreement will survive the closing date of the acquisition of the Nanaimo Property and the Langford Property for 12 months.

Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd. and Galaxy Value Add Properties LP, as sellers, made no representation with respect to this Prospectus. Purchasers of Units under this Prospectus will not have a direct statutory right of action for misrepresentation against Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd. or Galaxy Value Add Properties LP. The sole remedy against Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd. and Galaxy Value Add Properties LP for a misrepresentation in this Prospectus in respect of the Nanaimo Property and the Langford Property will be through the Fund or its Subsidiaries (as assignee of Starlight Acquisitions Ltd.) bringing an action for a breach by Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd. or Galaxy Value Add Properties LP of the representations and warranties in the Nanaimo and Langford Properties Purchase Agreement. The sellers' liability under the Nanaimo and Langford Properties Purchase Agreement for breach of representations and warranties is capped at \$3,000,000.

Subject to the satisfaction or waiver of conditions precedent, the purchase of the Nanaimo Property and the Langford Property is scheduled to close on or about February 23, 2022. Pursuant to the Nanaimo and Langford Properties Purchase Agreement, Starlight Acquisitions Ltd. paid an initial deposit of \$1,000,000, and an additional deposit of \$2,000,000 in connection with the waiver of certain closing conditions, which will be applied to the purchase price at closing.

Langford Property 2 and Vernon Properties Purchase Agreement

Pursuant to the purchase agreement dated as of December 20, 2021, as amended as of January 10, 2022, as it may be further amended from time to time, Starlight Acquisitions Ltd., an Affiliate of the Manager, agreed to purchase the Langford Property 2, Vernon Property and Vernon Property 2 from the Langford Property 2 and Vernon Properties Vendors for the aggregate purchase price of \$63,700,000. Pursuant to a partial assignment agreement dated as of January 10, 2022, Starlight Acquisitions Ltd. assigned its rights to acquire the Langford Property 2, Vernon Property and Vernon Property 2 to the Holding LP. The Langford Property 2 and Vernon Properties Purchase Agreement contains customary closing conditions, covenants and representations and warranties, including representations and warranties from the Langford Property 2 and Vernon Properties Vendors in relation to, among other things, power and authority; execution, delivery and performance; no violation of constating documents; no notice of violation of applicable federal, provincial or local laws, rules or regulations; no notice of litigation or other proceeding; and no other contract or right to purchase, lease or otherwise acquire the Langford Property 2, Vernon Property and Vernon Property 2 currently in effect. The representations and warranties in the Langford Property 2 and Vernon Properties Purchase Agreement will survive the closing date of the acquisition of the Langford Property 2, Vernon Property and Vernon Property 2 for six months.

The Langford Property 2 and Vernon Properties Vendors, as sellers, made no representation with respect to this Prospectus. Purchasers of Units under this Prospectus will not have a direct statutory right of action for misrepresentation against the Langford Property 2 and Vernon Properties Vendors. The sole remedy against the Langford Property 2 and Vernon Properties Vendors for a misrepresentation in this Prospectus in respect of the Langford Property 2, Vernon Property and Vernon Property 2 will be through the Fund or its Subsidiaries (as assignee of Starlight Acquisitions Ltd.) bringing an action for a breach by the Langford Property 2 and Vernon Properties Vendors of the representations and warranties in the Langford Property 2 and Vernon Properties Purchase Agreement.

Subject to the satisfaction or waiver of conditions precedent, the purchase of the Langford Property 2, Vernon Property and Vernon Property 2 is scheduled to close on or about February 24, 2022. Pursuant to the Langford Property 2 and Vernon Properties Purchase Agreement, Starlight Acquisitions Ltd. paid an initial deposit of \$1,000,000, and an additional deposit of \$1,000,000 in connection with the waiver of certain closing conditions, which will be applied to the purchase price at closing.

Independent Appraisals of the Initial Portfolio

The Manager retained the Appraiser to provide an independent appraisal of the fair market value of each of the Properties comprising the Initial Portfolio. Based on the Appraisals, the estimated market value of the Initial Portfolio is \$25,600,000 for the Langford Property, \$110,500,000 for the Nanaimo Property, \$33,500,000 for the Langford Property 2, \$19,100,000 for the Vernon Property and \$13,200,000 for the Vernon Property 2, each based on the “income capitalization” approach. This Prospectus assumes that the estimated aggregate market value of the Initial Portfolio is approximately \$201,900,000. The Appraiser was not given any limiting instructions in respect of any of the Appraisals. See “Description of the Activities of the Fund – The Initial Portfolio – Independent Appraisals of the Initial Portfolio”.

Selected Financial and Operating Information

The following selected financial information of the Initial Portfolio has been derived from, and should be read in conjunction with, the audited carve-out financial statements of the Langford Property for the three and nine months ended September 30, 2021 and audited carve-out financial statements of the Nanaimo Property for the three and eight months ended September 30, 2021 and accompanying notes, in each case prepared in accordance with IFRS and contained elsewhere in this Prospectus. Amounts are presented in thousands of Canadian dollars.

The selected consolidated financial information should be read in conjunction with “Management’s Discussion and Analysis” and the audited consolidated financial statements and accompanying notes contained elsewhere in this Prospectus. The selected consolidated financial information set out below may not be indicative of the Fund’s future performance.

Period ended September 30, 2021 (in thousands of Canadian dollars)	Langford Property (9 months)	Nanaimo Property (8 months)	Langford Property 2 (9 months)	Vernon Property (9 months)	Vernon Property 2 (9 months)	Initial Portfolio
Income Statement Data						
Revenues:						
Revenue from property operations	852	1,893	1,216	834	582	5,377
Expenses:						
Property operating	181	412	211	209	164	1,177
Realty/Property taxes	55	137	84	59	44	379
NOI	616	1,344	921	566	374	3,821
NOI Margin	72.3%	71.0%	75.7%	67.9%	64.3%	71.1%

THE OFFERING

Offering:	Class A Units and/or Class B Units and/or Class C Units
Issue Size:	Minimum Offering: \$61,000,000 of Units Maximum Offering: \$130,000,000 of Units
Price:	\$10.00 per Class A Unit \$10.00 per Class B Unit \$10.00 per Class C Unit
Minimum Subscription Amount:	Class A – \$1,000 (100 Class A Units) or Class B – \$1,000 (100 Class B Units) or Class C – \$1,000 (100 Class C Units)
Unit Attributes:	The beneficial interests in the Fund are divided into three classes of Units: Class A Units; Class B Units; and Class C Units. The Fund is authorized to issue an unlimited number of Units of each class and series. Each Unit is transferable and entitles the holder thereof to: (i) the proportionate entitlement to distributions of the Fund equal to all other Units of the same class; (ii) rights of redemption; and (iii) one vote at all meetings of Unitholders, with all classes of Units voting together as a single class, unless the Board determines that the nature of the business to be transacted at a meeting affects Unitholders of one class of Units in a manner materially different from its effect on Unitholders of another class of Units. See “Description of the Securities Distributed – Units – Meetings of Unitholders and Resolutions”. The Fund is not prohibited from offering Units to the public or through private placement transactions following closing of the Offering; provided that the Fund may only issue (i) one or more new series of Units within an existing class, in each case on a basis economically equivalent, on the date of issue, to an existing class, on the date of its initial issue but at the then prevailing Net Asset Value per Unit for such existing class instead of \$10.00 per Unit, and (ii) special voting units issued in connection with the issuance of limited partnership units in any subsidiary limited partnership of the Fund that are exchangeable for Class C Units (the “Exchangeable Units”) for the purpose of providing voting rights (but no economic rights) with respect to the Fund to the holders of Exchangeable Units prior to the conversion of such securities into Class C Units (of a series, if applicable), to be issued in an amount such that the number of special voting units issued equals the aggregate consideration received by the applicable subsidiary of the Fund for the Exchangeable Units divided by the Net Asset Value per Class C Unit (or the corresponding series, if applicable) at such time, and provided that the special voting units shall be cancelled upon the conversion of such Exchangeable Units into Class C Units (of the corresponding series, if applicable).
Leverage:	The Manager believes the current western Canadian multi-family rental property debt financing market offers debt financing at attractive interest rates that the Manager intends to utilize in order to seek an increased return on equity. The Manager will target an overall loan-to-value ratio of any Mortgage Loans of 65% to 75% of the purchase price of the Properties as a whole, plus the amount of any property improvement reserve account approved by the lenders. However, the Manager, having regard to all of the circumstances including the potential value of the Properties identified for investment, may cause the overall loan-to-value ratio of any Mortgage Loans to exceed this threshold. Notwithstanding the foregoing, the Declaration of Trust limits total indebtedness of the Fund to no more than 75% of the Investable Funds (or, at the discretion of the Board, the appraised value of the Properties). See “Capitalization – Long-Term Debt” and “Investment Restrictions and Operating Policies”.
Distributions:	The Fund will target an annual pre-tax distribution yield of 3.0% to 4.0% on Gross Subscription Proceeds across all Unit classes and aim to realize a minimum 12% pre-tax investor internal rate of return across all Unit classes upon disposition (directly or indirectly) of the Fund’s interests in its assets at or before the end of the targeted three-year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of

each class (or series, as applicable) of Unit and applicable Unit Class Expenses. See “Risk Factors”. An annual pre-tax distribution yield of 3.0% to 4.0% on Gross Subscription Proceeds would represent an expected AFFO payout ratio in the first year of operations of approximately 61% to 74%, assuming the Minimum Offering is achieved and based on the applicable Agents’ Fee and costs of the Offering. The target AFFO payout ratio in the first year of operations, assuming the Maximum Offering is achieved and all funds are fully deployed, is forecasted to be 50% to 67%.

The achievement of the 12% pre-tax investor internal rate of return is based on the following assumptions:

- (a) in aggregate, the Sample Target Properties are acquired for approximately \$220,000,000 with a 4.25% Capitalization Rate;
- (b) the acquisitions of the Sample Target Properties are partially financed by way of Mortgage Loans that in an aggregate amount equal to, on average, approximately 75% of each Sample Target Property’s value and at an average interest rate of approximately 2.1%;
- (c) real estate closing costs in respect of each Sample Target Property are approximately 5.5% of the purchase price; annual interest payments and general and administrative expenses and asset management fees in respect of each Sample Target Property are equal to approximately 2.0% of the purchase price; and
- (d) capital appreciation of approximately 10% in respect of each Sample Target Property (which is to be realized from approximately 10% NOI growth).

Accordingly, the pre-tax, investor internal rate of return from the Sample Target Property would comprise approximately 21% from ongoing distributions and excess cash flow and 79% from capital appreciation.

The monthly distribution on the Units will commence following the end of the Fund’s first full operating month after the Closing Date. The first distribution is expected to be paid in April 2022 following the Fund’s first full month of operations, which is expected to commence in March 2022, and will be paid on a pro-rated basis for the full period from the Closing Date until the end of the Fund’s first full operating month after the Closing Date. The distribution amount per Unit will be determined in accordance with the Declaration of Trust. Thereafter, the Fund intends to declare monthly cash distributions no later than seven Business Days prior to the end of each month, payable within 15 days following the end of the month (or the next Business Day if not a Business Day) in which the distribution is declared to Unitholders as at month-end. In the event the Gross Subscription Proceeds are \$61,000,000 or greater, the net proceeds from the Offering and any concurrent private placements will be in excess of the amount required to complete the purchase of the Initial Portfolio and, therefore, initially, not all of the net proceeds from the Offering and any concurrent private placements will be deployed by the Fund to directly or indirectly acquire interests in income-producing properties. The net proceeds from the Offering and any concurrent private placements which exceed the amount required to complete the purchase of the Initial Portfolio are not expected to have an impact on Distributable Cash Flow and, accordingly, until such excess funds are deployed by the Fund to directly or indirectly acquire interests in one or more income-producing properties, the annualized pre-tax distribution yield per Unit may be less than the targeted yield per Unit. See “Risk Factors”.

Following closing of the Offering and the acquisition of the Initial Portfolio, the Fund will initially own all of the issued and outstanding Holding LP Class A Units, while D.D. Acquisitions Partnership will own all of the issued and outstanding Holding LP Class B Units. Holders of Holding LP Class A Units will be entitled to receive all the Distributable Cash, less the amount to be paid to D.D. Acquisitions Partnership as distributions on the Holding LP Class B Units in respect of the Carried Interest.

The ability of the Fund to make cash distributions on the Units and the actual amount distributed will depend on the ability of the Fund to directly or indirectly acquire the Properties as well as the

ongoing operations of the Properties, and will be subject to various factors including those referenced in the “Risk Factors” section of this Prospectus. The aggregate Minimum Return of 7.0% per annum (determined on a per Unit basis, and calculated including the amount of the Investors Capital Return Base) for distribution proportionately to the Unitholders is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder’s original investment, are not guaranteed and the anticipated return on investment is based upon many performance assumptions. See “Risk Factors”.

See “Description of the Securities Distributed – Units – Distributions”, “Description of the Securities Distributed – Units – Distribution on Termination of the Fund” and “Risk Factors”.

Redemption:

The Units will be redeemable at the option of Unitholders by written notice to the Fund.

The redemption price per Unit multiplied by the number of Units tendered for redemption will be paid to a Unitholder by way of a cash payment no later than the last day of the calendar month following the calendar quarter in which the Units were tendered for redemption, provided that, unless the Fund otherwise determines, the total amount payable by the Fund by cash payment in respect of the redemption of Units for the calendar quarter shall not exceed \$100,000 and shall not exceed, in any 12-month period, 1% of the Net Asset Value at the start of such 12-month period. See “Risk Factors – Risk Factors Relating to the Offering – Limited Liquidity of Units”.

The payment in cash by the Fund of the redemption price of Units will reduce the amount of cash available to the Fund for the payment of distributions to Unitholders, as the payment of the amount due in respect of redemptions will take priority over the payment of cash distributions. See “Risk Factors – Risk Factors Relating to Redemptions – Use of Available Cash”.

If Units tendered for redemption are not redeemed for cash as a result of the foregoing limitations, the Fund shall satisfy the redemption of such Units tendered for redemption by way of an *in specie* distribution of property of the Fund and/or unsecured subordinated notes of the Fund, at its option, as determined by the Board in its sole discretion. Property distributed by the Fund on a redemption is not expected to be liquid and may not be a qualified investment for trusts governed by Plans. In those circumstances, adverse tax consequences generally may apply to a Unitholder, or a Plan and/or the annuitant, holder, subscriber or beneficiary thereunder or thereof, as a result of the redemption of Units held in a trust governed by a Plan. See “Description of the Securities Distributed – Units – Redemption”, “Risk Factors – Risk Factors Relating to the Offering – Limited Liquidity of Units” and “Risk Factors – Risk Factors Relating to Redemptions”.

Term:

The term of the Fund is targeted to be three years (the “**Term**”), subject to earlier termination as described below. The Term may also be extended (including following the exercise of the two one-year extensions at the discretion of the Board) by Special Resolution of the Unitholders, subject to approval by the Manager. In order to provide Unitholders with liquidity, the Manager intends to complete a liquidity event at or before the end of the Term. The liquidity event may be a transaction involving a sale of all the Units of the Fund, or the sale of the Properties or the Holding LP Units, for cash or securities listed on a stock exchange, or such other transaction as the Manager considers appropriate.

Notwithstanding the Term outlined above, the Fund may be wound down and terminated as soon as practicable following a direct or indirect disposition of all of the assets of the Fund.

See “Description of the Securities Distributed – Units – Termination of the Declaration of Trust”.

Use of Proceeds:

Following the completion of the Offering, the Fund intends to acquire (indirectly through the Holding LP) the Initial Portfolio using the Investable Funds.

Assuming the Minimum Offering is sold, the Gross Subscription Proceeds will be \$61,000,000 (net proceeds of \$58,427,575 after deduction of the expenses of the Offering (including Agents’ Fee) estimated to be \$2,572,425) and assuming the Maximum Offering is sold, the Gross Subscription Proceeds will be \$130,000,000 (net proceeds of \$125,357,575 after deduction of the expenses of

the Offering (including Agents' Fee) estimated to be \$4,642,425). The Fund will use the net proceeds of the Offering to acquire Holding LP Class A Units. The Fund may also temporarily hold cash and investments for the purposes of paying its expenses and liabilities and making distributions to Unitholders.

The Holding LP will use the proceeds from the issuance of Holding LP Class A Units to directly or indirectly acquire the Initial Portfolio, and, from time to time, one or more additional Properties. As a result, an investment in Units will be an indirect investment in the acquisition, ownership and operation of the Properties, and the Fund's share of returns on and of capital payable in respect of the Holding LP Class A Units will ultimately flow through to Unitholders and, where applicable, any other Persons having a direct or indirect interest in such amounts, including the Holding GP through its general partnership interest in the Holding LP and D.D. Acquisitions Partnership through the Holding LP Class B Units.

The Manager is targeting deployment of the unallocated portion of the net proceeds of the Offering and any concurrent private placements (after completion of the acquisition of the Initial Portfolio), together with indebtedness, to fund the acquisition of one or more additional Properties within six months following the Closing Date.

The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition. Pending its investment in the acquisition of Properties, the unallocated portion of the net proceeds of the Offering and any concurrent private placements and other funds not fully invested in the Properties from time to time will be held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and otherwise as permitted pursuant to the Investment Restrictions and Operating Policies of the Fund, under the supervision of the Board and the Manager.

See "Use of Proceeds".

Eligibility for Investment:

Based on the current provisions of the Tax Act, in the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, and Wildeboer Dellelce LLP, counsel to the Agents, the Units would, if issued on the date hereof, be "qualified investments" under the Tax Act for trusts governed by RRSPs, RESPs, RRIFs, DPSPs, RDSPs and TFSAs, *provided that* the Fund qualifies at all times as a "mutual fund trust" (as defined in the Tax Act). Prospective purchasers who intend to hold Units in a trust governed by such a Plan are advised to consult their personal tax advisors. See "Eligibility for Investment".

Liquidity:

There is currently no market through which the Units may be sold, and such a market may not develop, and Purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing and liquidity of the securities in the secondary market, if one should develop, the transparency and availability of trading prices, and the extent of issuer regulation. See "Risk Factors". As at the date of this Prospectus, the Fund does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or any other marketplace within or outside Canada and the U.S. See "Plan of Distribution".

Risk Factors:

Purchasers should consider the following risk factors before purchasing Units:

This is Partly a Blind Pool Offering – After completion of the acquisition of the Initial Portfolio, although the Fund expects that the unallocated Investable Funds will be applied to the purchase of one or more additional Properties, the Manager has not yet advanced the process for potentially acquiring any such additional Properties to a point where any such acquisition by the Fund would be considered as being "probable" as that term is understood for purposes of Form 41-101F1,

although the Manager is targeting deployment of the unallocated Net Subscription Proceeds within six months, at which time this will no longer be a blind pool.

The Unitholders' return on their investments in the Units will vary depending on the return on investment achieved on the Properties, including the Initial Portfolio, acquired with the Investable Funds. Accordingly, if the net proceeds of the Offering and any concurrent private placements exceed the amount required to purchase the Initial Portfolio, until such time as the excess funds are deployed by the Fund to directly or indirectly acquire interests in income-producing Properties, the annualized pre-tax distribution yield per Unit may be less than the targeted yield per Unit.

Limited Liquidity of Units – There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the Units in the secondary market, if one should develop, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. As at the date of this Prospectus, the Fund does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, NEO Exchange Inc., any other Canadian marketplace, a U.S. marketplace, or a marketplace outside Canada and the U.S. Although the targeted Term of the Fund is three years, the Term may also be extended (including following the exercise of the two one-year extensions at the discretion of the Board) by Special Resolution of the Unitholders. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long-term investment.

Insufficient Gross Proceeds of the Offering – There can be no assurance the Maximum Offering will be sold. If less than all of the Units offered are sold pursuant to this Offering and any concurrent private placements, then less than the maximum proceeds will be available to the Fund. Consequently, the Fund may be unable to implement its plans in the manner currently intended.

Risks of Real Estate Investment and Ownership – An investment in Units is an investment in western Canadian multi-family real estate through the Fund's indirect interest in its Subsidiaries and the Properties, directly or indirectly, acquired by it. Investment in real estate is subject to numerous risks. See "Risk Factors – Risk Factors Relating to the Fund".

Catastrophic Events, Natural Disasters, Severe Weather and Disease – The Fund's business may be negatively impacted to varying degrees by a number of events which are beyond its control, including tornadoes, earthquakes, fires, floods, ice storms, cyber-attacks, unauthorized access, energy blackouts, pandemics, outbreaks of infectious disease, such as COVID-19, other public health crises affecting the markets where the Fund operates, terrorist attacks, acts of war, or other natural or manmade catastrophes. While the Fund engages in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly, and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe that the Fund's operations and ability to carry on business will not be disrupted. The occurrence of such events may not release the Fund from performing its obligations to third parties. A catastrophic event, or fear associated therewith, could increase investment costs to repair or replace damaged properties, increase future property insurance costs and negatively impact tenant demand for lots, which could have a negative impact on the Fund's ability to conduct its business and increase its costs. In addition, liquidity and volatility, credit and insurance availability and market and financial conditions generally could change at any time as a result. While the Fund will seek to maintain insurance for loss of revenue resulting from the occurrence of certain natural disasters, insurance for certain natural disasters may not be available, and any of these events in isolation or in combination, could have a material negative impact on the Fund's financial condition and results of operations, decrease the amount of cash available for distribution to Unitholders.

The Fund may be exposed to the impact of events caused by climate change, including an increase in the frequency and severity of the natural disasters and serious weather conditions outlined above. Furthermore, as a real estate property owner and manager, the Fund faces the risk that its properties will be subject to government initiatives and reforms aimed at countering climate change, such as reduction in greenhouse gas emissions. The Fund may require operational changes and/or incur

financial costs to comply with any such reforms. Any failure to adhere and adapt to climate change could result in fines or adversely affect the Fund's reputation, operations or financial performance.

COVID-19 and Variants Thereof – Public health crises, including the ongoing health crisis related to the coronavirus (COVID-19) pandemic, or relating to any other virus, flu, epidemic, pandemic or any other similar disease or illness (each a “**Health Crisis**”) could materially adversely impact the Fund's and its tenants' businesses, and thereby the ability of tenants to meet their payment obligations, by disrupting supply chains and transactional activities and negatively impacting local, national or global economies. A Health Crisis could further result in a general or acute decline in economic activity in the regions in which the Fund holds assets, increased unemployment, staff shortages, reduced tenant traffic, mobility restrictions and other quarantine measures, supply shortages, increased government regulation, and the quarantine or contamination of one or more of the Properties. Contagion in a property or market in which the Fund operates could negatively impact its occupancy, reputation or attractiveness. All of these occurrences may have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Furthermore, increased government regulation relating to a Health Crisis could result in legislation or regulations that may restrict the Fund's ability to enforce material provisions under its leases, including in respect of the collection of rent or other payment obligations or the ability of the Fund to raise rent or the ability of the Fund to evict tenants for non-payment of rent, among other potential adverse impacts, that could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

The federal government's Canada Emergency Response Benefit previously provided temporary income support to workers who have stopped working for reasons related to COVID-19. However, it is not clear how long elevated unemployment rates may last, or the extent of all the government programs that might be put in place in the future and how these programs may change over time, or what their full impact might be. As a result, the impact on the Fund's cash flow from operating activities remains uncertain. In addition, the Fund's investment properties are measured at fair value based on assumptions influenced by market conditions. Given the uncertainty of the longer-term impact of the COVID-19 pandemic and how it will impact valuation assumptions, measurement uncertainty exists with respect to the Fund's investment properties.

Given the unpredictable nature of the ongoing COVID-19 pandemic, including the currently prevalent Omicron variant and the potential emergence of other variants of the virus in the future, any continuation or intensification of such pandemic or related government measures, and any changes in levels of government financial support to individuals affected by COVID-19 and economic downturn, could in the future have an adverse effect (which effect could be material) on the Fund's financial condition, results of operations and cash flows due to the following factors, or others:

- Weaknesses in national, regional or local economies may prevent residents and customers from paying rent in full or on a timely basis. Federal, provincial, local, and industry efforts, including eviction moratoriums and requirements to reduce or waive late fees, may affect the Fund's ability to collect rent or enforce remedies for the failure to pay rent, which could lead to an increase in its recognition of credit losses related to the Fund's rent receivables. In addition, a reduction in the ability or willingness of prospective customers to visit the Initial Portfolio could impact the Fund's ability to lease suites or homes and may result in lower rental revenue and ancillary operating revenue produced by the Initial Portfolio.
- A reduction in tenant demand for suites or homes due to a general decline in business activity or otherwise could adversely affect the value of the Initial Portfolio and the Properties. This could lead to an impairment of the Fund's real estate investments. In addition, the Fund may be unable to complete capital improvement projects on a timely basis or at all due to government-mandated shutdowns or an inability by third-party contractors to continue to work on construction projects.

- A general decline in business activity or demand for real estate transactions could adversely affect the Fund's ability or desire to acquire additional Properties with the remaining Net Subscription Proceeds or deploy such Net Subscription Proceeds in a timely fashion.
- The financial impact of COVID-19 could negatively impact the Fund's ability to comply with financial covenants in its credit arrangements and result in a default and potentially an acceleration of indebtedness. Such non-compliance could negatively impact the Fund's financial position and its ability to make additional borrowings under its credit facilities.
- A severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect the Fund's ability to access capital necessary to fund business operations, including the acquisition or expansion of Properties, or replace or renew maturing liabilities on a timely basis, on attractive terms, or at all, and may adversely affect the valuation of financial assets and liabilities.
- The spread of COVID-19 has the potential to cause a further economic slowdown and increased volatility in financial markets. However, uncertainty remains as to the overall impact and timing of government interventions.
- An outbreak of COVID-19 or other contagious illness in a Property or the market in which a Property operates could negatively impact its occupancy, reputation or attractiveness.
- COVID-19 could negatively affect the health, availability and productivity of the Fund's personnel. It could also affect the Fund's ability to recruit and attract new employees or retain current employees. An outbreak that directly affects, or threatens to directly affect, any of the Properties could also deter or prevent the Fund's property managers' on-site personnel from reporting to work.
- Governmental agencies that permit and approve the Fund's projects, suppliers, homebuilders, and other business partners and third parties may be prevented from conducting business activities in the ordinary course for an indefinite period of time, which could in turn negatively affect the Fund's business.
- Delays in administering vaccinations against COVID-19, vaccine hesitancy or shortages in vaccine supply chains could prolong COVID-19, which could in turn negatively affect the Fund's business.

The recent resurgence of the COVID-19 virus and the recent spread of new variants thereof and the possibility that a resurgence of the COVID-19 virus or the spread of such new or other variants or mutations thereof may occur, has resulted in the re-imposition of certain restrictions, and may result in further restrictions, by governmental authorities in certain jurisdictions, including Western Canada. This further increases the risk and uncertainty as to the extent and duration of the COVID-19 pandemic and its ultimate impact on the global economy.

Other risks, including those described elsewhere in this Prospectus related to changes to Applicable Laws and regulations, economic downturn in the Primary Markets, debt financing, financing renewal, access to capital and the Fund's reliance on information technology infrastructure, and the effects of these risks on the Fund's financial condition, results of operations, cash flows, ability to make cash distributions, operations and the market price of its securities, could be exacerbated by the effects of COVID-19 and government measures to control it, any intensification of such pandemic or measures, or any other outbreak of contagious disease.

The extent to which COVID-19 impacts the Fund's operations, financial condition and financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Such future developments include the severity and duration of the pandemic, any intensification of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and

the direct and indirect economic effects of the pandemic and containment measures, among others. The rapid development and fluidity of this situation impedes the Manager's ability to predict the ultimate adverse impact of COVID-19. COVID-19 and the current financial, economic and capital markets environment, and future developments in these and other areas, present material uncertainty and risk with respect to the Fund's performance, financial condition, results of operations and cash flows.

Co-investment/Joint Ventures – The Fund may, on advice of the Manager, invest in, or be a participant in, directly or indirectly, joint ventures and partnerships with third parties in respect of the Properties. A joint venture or partnership involves certain additional risks. See “Risk Factors – Risk Factors Relating to the Fund – Co-investment/Joint Ventures”.

Limited Recourse Against Property Vendors – Purchasers under this Prospectus will not have a direct statutory right or any other rights against the vendors of the Properties comprising the Initial Portfolio, or their securityholders. The sole remedy of the Fund against Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd., Galaxy Value Add Properties LP, in respect of the Nanaimo Property and the Langford Property, and the Langford Property 2 and Vernon Properties Vendors, in respect of the Langford Property 2, Vernon Property and Vernon Property 2, and any of their respective securityholders will be through the Fund or its Subsidiaries (as assignee of Starlight Acquisitions Ltd.) bringing an action against Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd., Galaxy Value Add Properties LP, or the Langford Property 2 and Vernon Properties Vendors, as applicable for any breach under the Nanaimo and Langford Properties Purchase Agreement or the Langford Property 2 and Vernon Properties Purchase Agreement, as applicable. In addition, the vendors have not made any representation to the Fund and are not making any representation to investors in the Offering, as to the disclosure in this Prospectus constituting full, true and plain disclosure of all material facts related to the Properties, or that this Prospectus does not contain a misrepresentation with respect to such Properties. Accordingly, the vendors will not have any liability to investors in the Offering if the Prospectus disclosure relating to the Properties does not meet such standard or contains a misrepresentation. The vendors have not provided any security for their respective obligations under the Nanaimo and Langford Properties Purchase Agreement or the Langford Property 2 and Vernon Properties Purchase Agreement, as applicable, and are not required to maintain any cash for this purpose. The Fund may also be subject to undisclosed liability and such liability may be material, which could negatively impact the Fund's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Reliance on the Manager – Prospective investors assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager, its principal, Daniel Drimmer, and certain of its executives. If the Manager loses the services of Daniel Drimmer, Glen Hirsh, Martin Liddell and/or David Hanick, the business, financial condition and results of operations of the Fund may be materially adversely affected. See “Trustees and Officers” and “The Manager and the Management Agreement”.

Distributions may be Reduced or Suspended – Although the Fund intends to distribute its available cash to Unitholders, such cash distributions may be reduced or suspended. The ability of the Fund to pay Unitholders a targeted annual pre-tax distribution yield of 3.0% to 4.0% on Gross Subscription Proceeds across all Unit classes and the actual amount distributed or paid to Unitholders on termination of the Fund will vary as between the classes of Units based on the proportionate entitlements of each class (or series, as applicable) of Unit, applicable Unit Class Expenses and other adjustments as described herein (see “Description of the Securities Distributed – Units”), and will depend on the ability of the Fund to fully deploy the net proceeds of the Offering and any concurrent private placements to directly or indirectly acquire the Properties and manage the ongoing operations of the Properties. The Minimum Return is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. As a result, the cash distributions payable to Unitholders may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and their recovery by an investor is at risk and the anticipated return on investment is based upon many performance assumptions. It is important for

Purchasers to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the distributions to Unitholders.

Historical Financial Information – The historical financial information relating to the Initial Portfolio included in this Prospectus has been derived from historical accounting records. The Manager believes that the assumptions underlying the financial statements are reasonable. However, the financial statements may not reflect what the Fund's financial position, results of operations or cash flows would have been had the Fund been a standalone entity during the historical periods presented or what the Fund's financial position, results of operations or cash flows will be in the future.

Non-IFRS Measures – The *pro forma* financial information set out in this Prospectus includes certain measures which do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. There are no directly comparable measures calculated in accordance with GAAP, as such measures are based on investments that are external to the Fund. The measures used are meaningful to the investors as they are based on the average investor's individual investment in the entities mentioned.

Reliance on Assumptions – The Fund's investment objectives and strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in Western Canada and the future status of the western Canadian multi-family real estate markets generally. Such analysis may be incorrect and such expectations may not be realized, in which case Unitholders can expect the annualized pre-tax distribution yield per Unit to be less than 3.0% to 4.0% on Gross Subscription Proceeds across all Unit classes and the pre-tax investor internal rate of return to be less than 12% across all Unit classes.

Timing for Investment of Net Subscription Proceeds – Although the Manager is targeting deployment of the unallocated Net Subscription Proceeds within six months following the Closing Date, the time period for the full investment of the net proceeds of the Offering and any concurrent private placements in Properties other than the Initial Portfolio is not certain and may exceed six months. The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition. There is a risk that the Manager may not invest all net proceeds of the Offering and any concurrent private placements in Properties in a timely manner and, therefore, may not be able to generate sufficient funds to pay the Minimum Return, in which case, Unitholders can expect the annualized pre-tax distribution yield across all Unit classes to be less than 3.0% to 4.0% on Gross Subscription Proceeds across all Unit classes.

Same Management Group for Various Entities – The services of the Manager as manager of the Fund are not exclusive to the Fund. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management or administration of other investment portfolios and realty trusts in similar asset classes to those in which the Fund invests, including Starlight Western Multi-Family LP. Accordingly, the Manager may face conflicts of interest in the day-to-day operations, selection of real estate investments, and allocation of investment opportunities. In such circumstances, there is a risk that conflicts may arise regarding the allocation of properties among the various entities managed by the Manager and in connection with the exit from those properties. While the Manager owes fiduciary, legal and financial duties to the Fund and its Unitholders, these duties may from time to time conflict with the duties owed to the Manager's other real estate joint ventures and funds, including Starlight Western Multi-Family LP.

Prior Fund Performance May Not be Indicative of Future Performance – The information about performance of other investment funds managed by the Manager or its affiliates presented herein is not, and should not be construed to be, an indication about the potential performance of the Fund or amounts which may be distributed by the Fund. This information is presented solely for illustrative purposes and should not be construed as a forecast or projection of the expected return of the Fund. This information is provided only to illustrate the experience and historical results achieved by funds managed by the Manager. Past performance is not indicative of future results.

Tax Matters – The Fund (including the Holding LP and any other Subsidiaries) will be subject to the tax laws of Canada. The tax treatment of such entities may have a material adverse effect on the Fund’s financial position and may adversely impact funds available for distribution to Unitholders. In addition, future legislative, judicial or administrative changes to Canadian tax laws could affect the tax implications to the Fund, its Subsidiaries and Unitholders. There are numerous Canadian tax risks associated with an investment in Units. Prospective Purchasers are advised to refer to “Certain Canadian Federal Income Tax Considerations” and “Risk Factors – Risk Factors Relating to Canadian Income Taxes”.

Risks Related to Redemptions

(a) Use of Available Cash – The payment in cash by the Fund of the redemption price of Units will reduce the amount of cash available to the Fund for the payment of distributions to the Unitholders, as the payment of the amount due in respect of redemptions will take priority over the payment of cash distributions.

(b) Redemption Price is at 95% of Net Asset Value – The amount required to be paid by the Fund for each Unit redeemed is 95% of the proportionate Net Asset Value of the applicable Unit.

(c) Limitation on Payment of Redemption Price in Cash – The total cash amount available for the payment of the redemption price of Units by the Fund is limited to \$100,000 in each calendar quarter and is also limited in any 12-month period to 1% of the Net Asset Value at the start of such 12-month period.

(d) Payment of Redemption Price in Kind – If redemptions in excess of the cash limits described above occur, the Fund may satisfy the redemption of Units in excess of this limit, by way of an *in specie* distribution of property of the Fund, and/or unsecured subordinated notes of the Fund, at its option, as determined by the Trustees in their discretion, to the redeeming Unitholder. Such property may not be liquid and generally will not be a qualified investment for Plans. Adverse tax consequences generally will apply to a Unitholder, or Plan and/or its annuitant, holder, subscriber or beneficiary thereunder or thereof, as a result of the redemption of Units. Accordingly, investors that propose to invest in Units through Plans should consult their own tax advisors before doing so to understand the potential tax consequences of exercising their redemption rights attached to such Units.

Unitholders’ Legal Rights – The Units represent a fractional interest in the Fund. Corporate law does not govern the Fund and the rights of Unitholders. Unitholders will not have all of the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring claims for “oppression” or “derivative actions”. The rights of Unitholders are specifically set forth in the Declaration of Trust. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation. See “Description of the Securities Distributed – Units – Rights of Unitholders”.

For a more complete discussion of the risks associated with an investment in Units, see “Risk Factors”.

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund.

Type of fee	Amount and Description
Agents' Fee:	\$0.225 (2.25%) per Class A Unit and \$0.525 (5.25%) per Class B Unit. The Agents' Fee for the Class B Units includes a selling concession of 3%. The Agents' Fee will be paid out of the Gross Subscription Proceeds. No Agents' Fee, selling concession or other commissions will be paid in connection with the issuance of Class C Units.
Expenses of the Offering:	The expenses of the Offering are estimated at \$1,042,425 (inclusive of HST) which, together with the Agents' Fee, will be paid by the Fund from the Gross Subscription Proceeds.
Carried Interest:	Through D.D. Acquisitions Partnership (as holder of the Holding LP Class B Units), Daniel Drimmer is indirectly entitled to the Carried Interest, being (i) an aggregate amount equal to 25% of the total of all amounts each of which is the amount, if any, by which (A) the aggregate amount of distributions which would have been paid on all Units of a particular class if all Distributable Cash of the Holding LP was received by the Fund (including through the Holding GP), together with all other amounts distributable by the Fund (including Distributable Cash generated by investees of the Fund not held through the Holding LP, if any), and distributed by the Fund (net of any amounts required to provide for expenses) to Unitholders of the Fund in accordance with the Declaration of Trust, exceeds (B) the aggregate Minimum Return (being 7.0%) in respect of such class of Units (the calculation of which includes the amount of the Investors Capital Return Base), provided that, to the extent that the aggregate amount of distributions which would have been paid on all Units of a particular class pursuant to the foregoing exceeds the Minimum Return for such class, D.D. Acquisitions Partnership will first be entitled to an aggregate amount equal to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable to Unitholders of each class in excess of the Investors Capital Return Base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by D.D. Acquisitions Partnership in respect of such class, and if more than one series of a class of Units is issued subsequent to the Closing Date, the foregoing calculations and distributions will be separately determined on the basis of each such series. See "Description of the Securities Distributed – The Holding LP – Distributions".
Asset Management Fee:	In consideration for providing management services, the Fund and/or the Holding LP will pay the Manager an aggregate base annual management fee calculated and payable on a monthly basis in arrears in cash on the first day of each month equal to 0.35% of Gross Asset Value. See "The Manager and the Management Agreement – The Management Agreement".
Acquisition Fee:	In consideration for providing financing and other services in connection with the acquisition of the Properties, the Fund and/or the Holding LP will pay the Manager an aggregate acquisition fee (the "Acquisition Fee") equal to 1.00% of the purchase price for each Property. Such Acquisition Fee shall be paid in full upon the completion of the purchase of each such Property. In consideration for providing financing and other services in connection with the acquisition of the Initial Portfolio, the Fund and/or the Holding LP will pay the Manager an aggregate acquisition fee of approximately \$2,188,810 (including harmonized sales tax ("HST")) upon the completion of the purchase of the Initial Portfolio. See "The Manager and the Management Agreement – The Management Agreement".
Financing Guarantee Fee	In the event the Manager or any of its Affiliates is required by the lenders to provide a financing guarantee in connection with an amount borrowed by the Fund or its Subsidiaries relating to a Property, the Fund and/or the Holding LP will, in consideration for providing such guarantee, pay the Manager, in the aggregate, an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds borrowed by the Fund and its Subsidiaries (" Guarantee Fee "), which

Guarantee Fee shall be calculated and payable to the Manager or its appointee on a monthly basis in arrears in cash on the first day of each month.

See “The Manager and the Management Agreement – The Management Agreement”.

Property Management Fees: The Manager expects the fees payable to third party property managers will include a property management fee between 3.25% and 3.75% of the gross revenue from the Properties (inclusive of a 0.25% bonus and before goods and services tax (“GST”)).

See “Description of the Activities of the Fund – Management and Leasing of the Properties”.

Ongoing Expenses of the Fund: Pursuant to the Management Agreement, the Fund and/or the Holding LP will collectively pay for all ordinary expenses incurred in connection with its operation and administration. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications; any reasonable out-of-pocket expenses incurred by the Manager or its agents and paid to third parties in connection with their on-going obligations to the Fund; travel expenses related to performance of the Manager’s obligations in connection with the Management Agreement; expenses relating to active asset management and capital improvements; regulatory filing fees; administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund; investor relations; costs and expenses arising as a result of complying with all Applicable Laws; regulations and policies; insurance expenses; travel expenses; extraordinary expenses the Fund may incur; and any expenditures incurred upon the termination of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager (and any of its officers, directors, employees, consultants or agents) or the Trustees or the executive officers of the Fund are entitled to an indemnity from the Fund. The aggregate annual amount of these fees and expenses is estimated to be approximately \$350,000.

In addition, because the Fund will indirectly own and operate physical real estate assets, the Fund will be indirectly responsible for the payment of ordinary course Operating Expenses relating to real estate, which expenses are customary for real estate related entities such as salaries and benefits for on-site employees, insurance, utilities, repairs and maintenance, advertising and general and administrative expenses. Certain of the Operating Expenses will be payable to the Manager in connection with its management of the Fund.

See “Description of the Activities of the Fund – Operating Expenses of the Fund”.

GLOSSARY OF TERMS

Certain terms and abbreviations used in this Prospectus are defined below:

“Acquired Issuer” has the meaning set out under “Investment Restrictions and Operating Policies – Investment Restrictions”;

“Acquisition Fee” means a fee payable to the Manager by the Fund and/or the Holding LP pursuant to the Management Agreement in consideration for the Manager providing financing and other services to the Fund and the Holding LP, as described in “The Manager and the Management Agreement – The Management Agreement”;

“Affiliate” means an affiliate as defined under National Instrument 45-106 – *Prospectus Exemptions*, as it exists upon the date hereof, subject to the terms “person” and “issuer” in such instrument being ascribed the same meaning as “Person” herein;

“AFFO” has the meaning set out under “Non-IFRS Measures”;

“Agency Agreement” means the agreement dated January 27, 2022 among the Fund, the Manager and the Agents;

“Agents” means, collectively, the Lead Agent and Wellington-Altus Private Wealth Inc., Scotia Capital Inc., Canaccord Genuity Corp., BMO Nesbitt Burns Inc., National Bank Financial Inc., Richardson Wealth Limited, Desjardins Securities Inc., Echelon Wealth Partners Inc., iA Private Wealth Inc., Laurentian Bank Securities Inc. and Raymond James Ltd.;

“Agents’ Fee” means a fee payable by the Fund equal to \$0.225 (2.25%) per Class A Unit and \$0.525 (5.25%) per Class B Unit. The Agents’ Fee for the Class B Units includes a selling concession of 3.0%;

“Aggregate Class A Interest” is equal to (i) the aggregate gross proceeds received by the Fund for the issuance of the Class A Units less the aggregate Agents’ Fee payable in respect of the Class A Units, divided by (ii) the number of Class A Units that have been issued, multiplied by (iii) the number of Class A Units outstanding at the time the Aggregate Class A Interest is being calculated, provided that if more than one series of Class A Units is issued subsequent to the Closing Date the foregoing calculations will be separately determined on the basis of each such series;

“Aggregate Class B Interest” is equal to (i) the aggregate gross proceeds received by the Fund for the issuance of the Class B Units less the aggregate Agents’ Fee payable in respect of the Class B Units, divided by (ii) the number of Class B Units that have been issued, multiplied by (iii) the number of Class B Units outstanding at the time the Aggregate Class B Interest is being calculated, provided that if more than one series of Class B Units is issued subsequent to the Closing Date the foregoing calculations will be separately determined on the basis of each such series;

“Aggregate Class C Interest” is equal to (i) the aggregate gross proceeds received by the Fund for the issuance of the Class C Units (not including the initial Class C Unit) divided by (ii) number of Class C Units that have been issued (not including the initial Class C Unit), multiplied by (iii) the number of Class C Units outstanding at the time the Aggregate Class C Interest is being calculated, provided that if more than one series of Class C Units is issued subsequent to the Closing Date the foregoing calculations will be separately determined on the basis of each such series;

“Aggregate Units Interest” means, at any time, the sum of (i) the Aggregate Class A Interest, (ii) the Aggregate Class B Interest and (iii) the Aggregate Class C Interest, at such time;

“allowable capital loss” has the meaning set out under “Certain Canadian Federal Income Tax Considerations – Taxation of Holders – Taxation of Capital Gains and Capital Losses”;

“AMR” has the meaning set out under “Non-IFRS Measures”;

“Applicable Laws” means, in respect of any Person, all laws, statutes, regulations, statutory rules, principles of common law or equity, orders and terms and conditions of any grant of approval, permission, authority or license of any governmental authority applicable to such Person or its business, undertaking and property having jurisdiction over the Person or its business, undertaking or property, in each case as amended from time to time;

“Appraisals” means the independent appraisals of the fair market value of each of the Initial Properties prepared by the Appraiser;

“Appraiser” initially means CBRE Limited;

“Asset Management Fee” means an annual fee payable to the Manager by the Fund and/or the Holding LP in accordance with the terms of the Management Agreement, in consideration of the Manager providing management services to the Fund and the Holding LP, as described in “The Manager and the Management Agreement – The Management Agreement”;

“at-risk rules” has the meaning set out under “Certain Canadian Federal Income Tax Considerations – Taxation of the Fund – Taxation of the Partnerships”;

“BC” means the Province of British Columbia;

“BC RTA” has the meaning set out under “Description of the Activities of the Fund – The Initial Portfolio – Residential Tenancy Legislation”;

“BCA Reports” means the building condition assessment reports for each Initial Property;

“Board” means the board of Trustees of the Fund;

“Branch” has the meaning set out under “Description of the Activities of the Fund – The Initial Portfolio – Residential Tenancy Legislation”;

“Business Day” means any day which is not a Saturday, Sunday or statutory holiday in the Province of Ontario or the Province of British Columbia;

“Canadian Appraisal Standards” has the meaning set out under “Description of the Activities of the Fund – The Initial Portfolio – Independent Appraisals of the Initial Portfolio”;

“capital gains refund” has the meaning set out under “Certain Canadian Federal Income Tax Considerations – Taxation of the Fund”;

“Capitalization Rate” means the unlevered yield of a Property calculated by dividing the NOI of the Property by the purchase price of the Property;

“Carried Interest” means the entitlement of D.D. Acquisitions Partnership (as holder of the Holding LP Class B Units) to (i) an aggregate amount equal to 25% of the total of all amounts each of which is the amount, if any, by which (A) the aggregate amount of distributions which would have been paid on all Units of a particular class if all Distributable Cash of the Holding LP was received by the Fund (including through the Holding GP), together with all other amounts distributable by the Fund (including Distributable Cash generated by investees of the Fund not held through the Holding LP, if any), and distributed by the Fund (net of any amounts required to provide for expenses) to Unitholders of the Fund in accordance with the Declaration of Trust, exceeds (B) the aggregate Minimum Return (being 7.0%) in respect of such class of Units (the calculation of which includes the amount of the Investors Capital Return Base), provided that, to the extent that the aggregate amount of distributions which would have been paid on all Units of a particular class pursuant to the foregoing exceeds the Minimum Return for such class, D.D. Acquisitions Partnership will first be entitled to an aggregate amount equal to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable to Unitholders of each class in excess of the Investors Capital Return Base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by D.D. Acquisitions Partnership in respect of such class, and, if more than one series of a class of Units is issued subsequent to the Closing Date, the foregoing calculations and distributions will be separately determined on the basis of each such series;

“Cash Flow” means, for any Distribution Period:

- (a) the sum of all cash amounts received by the Fund for or in respect of such Distribution Period, including amounts received as a limited partner holding Holding LP Class A Units pursuant to the

terms of the Holding LP Agreement and all other income, interest, distributions, dividends, proceeds from the investment in Holding LP Class A Units (other than by way of security interest), returns of capital and repayments of indebtedness, as well as all amounts received by the Fund in any prior Distribution Period to the extent not previously distributed; less

- (b) all costs and expenses of the Fund that, in the opinion of the Board, may reasonably be considered to have accrued and become owing in respect of, or which relate to, such Distribution Period or a prior Distribution Period if not accrued in such prior period; less
- (c) without duplication, any interest expense incurred by the Fund between distributions,

provided that any funds borrowed by the Fund will not be included in the calculations of Cash Flow in respect of any Distribution Period;

“**CBCA**” means the *Canada Business Corporations Act*, as amended from time to time;

“**CCA**” has the meaning set out under “Certain Canadian Federal Income Tax Considerations – Taxation of Holding LP”;

“**CDS**” means CDS Clearing and Depository Services Inc. and its successors;

“**Certificate**” has the meaning set out under “Certain Canadian Federal Income Tax Considerations”;

“**Class A Units**” means the trust units of the Fund, designated as “Class A Units”;

“**Class B Units**” means the trust units of the Fund, designated as “Class B Units”;

“**Class C Units**” means the trust units of the Fund, designated as “Class C Units”;

“**Closing Date**” means the closing date of the Offering which is expected to be on or about February 22, 2022 or such later date as the Fund and the Agents may agree, but in any event not later than March 30, 2022;

“**CMHC**” means Canadian Mortgage and Housing Corporation;

“**Code of Conduct**” has the meaning set out under “Audit Committee and Corporate Governance – Corporate Governance”;

“**COVID-19**” means SARS-CoV-2 or COVID-19, and any evolutions, variants or mutations thereof or related or associated epidemics, pandemics or disease outbreaks;

“**CRA**” means the Canada Revenue Agency;

“**CREA**” means the Canadian Real Estate Association;

“**Declaration of Trust**” means the amended and restated declaration of trust of the Fund dated as of the date of this Prospectus, as it may be further amended or amended and restated from time to time, as more particularly described under “Description of the Securities Distributed – Units”;

“**Disposition**” means the direct or indirect sale, assignment or other transfer, when completed, of a Property, in whole or in part, and includes any sale, assignment or other transfer to the Manager or to any Person with an ownership interest in the Manager or to any Person in respect of which the Manager or any such Person has an ownership or financial interest provided that the Manager has disclosed such interest to the Fund in writing prior to the commencement of the negotiation of the sale price for such Disposition. “Disposition” does not include any sale, assignment or other transfer to any Subsidiary of the Fund;

“**Distributable Cash**” has the meaning set out under “Description of the Securities Distributed – The Holding LP”;

“Distributable Cash Flow” means, for any Distribution Period, an amount equal to the Cash Flow for such Distribution Period, less any amount that the Board may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Holding LP, the Holding GP or the Fund, that have been or are reasonably expected to be incurred in the activities and operations of the Holding LP, Holding GP or the Fund (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the Cash Flow) and less such reserves or amounts as are, in the opinion of the Board, necessary or desirable;

“Distributable Cash Flow Balance” has the meaning set out under “Description of the Securities Distributed – Units – Distributions”;

“Distribution Payment Date” means a date selected by the Board for payment of a distribution;

“Distribution Period” means each month of each calendar year expected to commence on February 23, 2022 on a pro-rated basis for the full period from the Closing Date until the end of the Fund’s first full operating month after the Closing Date;

“DPSPs” means deferred profit sharing plans as defined in the Tax Act;

“Entity” means any one of the Fund and the Holding LP, and **“Entities”** means two or more of them;

“Escrow Agreement” means the escrow agreement to be entered into between the Fund, the Escrow Securityholders and TSX Trust Company, as escrow agent, pursuant to which the Escrowed Units will be held in escrow in accordance with NP 46-201, in the event an Offering of at least \$100,000,000 is not achieved;

“Escrow Securityholders” means those “principals” (as such term is defined in NP 46-201) that each individually hold more than 1% of the voting rights attached to all securities of the Fund on closing of the Offering, whose Escrowed Units may be subject to escrow pursuant to the Escrow Agreement;

“Escrowed Units” has the meaning set out under “Escrowed Securities”;

“Exchangeable Units” means limited partnership units in any subsidiary limited partnership of the Fund that are exchangeable for Class C Units;

“Excluded Person” means (i) a Non-Resident or a “financial institution” within the meaning of the Tax Act; (ii) a Person, an interest in which is a “tax shelter investment” for the purposes of the Tax Act; (iii) a Person which would acquire an interest in the Holding LP as a “tax shelter investment” for the purposes of the Tax Act; or (iv) a Person who acts as a nominee on behalf of or for the benefit of a Person described in subsections (i) to (iii) of this definition;

“FFO” has the meaning set out under “Non-IFRS Measures”;

“First Valuation Date” means such date as determined by the Manager, but in any event no later than the second anniversary of the Closing Date of the Offering;

“forward-looking information” has the meaning set out under “Forward-Looking Statements”;

“Fund” means Starlight Western Canada Multi-Family (No. 2) Fund, a newly created “open-ended fund” established pursuant to the laws of the Province of Ontario on November 12, 2021 pursuant to the initial declaration of trust of the Fund, and, where the context requires, includes its Subsidiaries;

“Fund Property” means all of the property and assets of the Fund;

“GAAP” means Canadian generally accepted accounting principles for publicly accountable enterprises as defined by the Accounting Standards Board of The Canadian Institute of Chartered Accountants, as amended from time to time, which is IFRS;

“GDP” means gross domestic product.

“Gross Asset Value” means the fair market value as prescribed by the most recent annual appraisals of the Properties, with the initial Gross Asset Value being the purchase price of the Properties paid or deemed paid by the Fund;

“Gross Book Value” has the meaning set out under “Non-IFRS Measures”;

“Gross Subscription Proceeds” means, collectively the gross proceeds received by the Fund from the issuance of the Units pursuant to the Offering and any concurrent private placements;

“GST” means goods and services tax;

“Guarantee Fee” means a fee payable to the Manager by the Fund and/or the Holding LP pursuant to the Management Agreement in consideration for the Manager providing, or causing to be provided, a financing guarantee required by the lenders in connection with the amount borrowed by the Fund or its Subsidiaries to directly or indirectly acquire an interest in the Properties, as described under “The Manager and the Management Agreement – The Management Agreement”;

“GVR” means the Greater Victoria Region;

“Health Crisis” has the meaning set out under “Risk Factors – Risk Factors Relating to the Fund – COVID-19 and Variants Thereof”;

“Holder” has the meaning set out under “Certain Canadian Federal Income Tax Considerations”;

“Holding GP” means Starlight Western Canada Multi-Family (No. 2) GP, Inc. a corporation established on November 12, 2021 under the laws of Ontario, and the general partner of the Holding LP;

“Holding LP” means Starlight Western Canada Multi-Family (No. 2) Holding LP, a limited partnership established on November 12, 2021 under the laws of Ontario;

“Holding LP Agreement” means the limited partnership agreement that governs the Holding LP which was made between the Fund, D.D. Acquisitions Partnership and the Holding GP and all persons who become holders of Holding LP Units as to be provided therein, as such agreement may be amended or amended and restated from time to time, including as set forth herein;

“Holding LP Class A Units” means the Class A limited partnership units of the Holding LP;

“Holding LP Class B Units” means the Class B limited partnership units of the Holding LP;

“Holding LP Units” means collectively, the Holding LP Class A Units and the Holding LP Class B Units, as well as any other class of limited partnership units of the Holding LP with substantially similar, but not superior, rights and privileges as the Holding LP Class A Units or the Holding LP Class B Units;

“HST” means harmonized sales tax;

“IFRS” means International Financial Reporting Standards;

“Indebtedness” has the meaning set out under “Non-IFRS Measures”;

“Indebtedness Coverage Ratio” has the meaning set out under “Non-IFRS Measures”;

“Indebtedness to Gross Book Value” has the meaning set out under “Non-IFRS Measures”;

“Initial Portfolio” means, collectively, the Nanaimo Property, the Langford Property, the Langford Property 2, the Vernon Property and the Vernon Property 2, interests in which will be indirectly acquired by the Fund following the completion of the Offering;

“Initial Properties” means the Properties comprising the Initial Portfolio, and **“Initial Property”** means any one of them;

“Insider Trading Policy” has the meaning set out under “Audit Committee and Corporate Governance – Corporate Governance”;

“Interest Coverage Ratio” has the meaning set out under “Non-IFRS Measures”;

“Investable Funds” means the sum of (i) the net proceeds from the applicable offering and any concurrent private placements, and (ii) the net proceeds received from the Mortgage Loans (if any);

“Investment Restrictions” means the investment restrictions of the Fund, as more particularly described under “Investment Restrictions and Operating Policies – Investment Restrictions”;

“Investors Capital Return Base” means (i) the sum of the aggregate gross amount of all cash subscription proceeds received by the Fund for the issuance of the subject class of Units less the aggregate Agents’ Fee payable, if any, in respect of the subject class of Units, divided by (ii) the number of subject class of Units that have been issued, provided that if more than one series of a class of Units is issued subsequent to the Closing Date, the foregoing calculations will be separately determined on the basis of each such series;

“Langford Property” means the 60 multi-family suites located at 733 Goldstream Avenue in Langford, BC;

“Langford Property 2” means the 81 multi-family suites located at 2699 Peatt Road in Langford, BC;

“Langford Property 2 and Vernon Properties Purchase Agreement” has the meaning set out under “Description of the Activities of the Fund – The Initial Portfolio – Acquisition Agreements – Langford Property 2 and Vernon Properties Purchase Agreement”;

“Langford Property 2 and Vernon Properties Vendors” means the arm’s length, third party vendors of the Langford Property 2, Vernon Property and Vernon Property 2 pursuant to the Langford Property 2 and Vernon Properties Purchase Agreement;

“Lead Agent” means CIBC World Markets Inc.;

“Lead Investors” means institutional investors committed to subscribing for Class C Units, on a lead order basis;

“Management Agreement” means the agreement to be entered into among the Fund, the Holding LP and the Manager pursuant to which the Manager will provide certain services relating to the Properties;

“Manager” means Starlight Investments CDN AM Group LP, a wholly-owned Subsidiary of Starlight Group, and the manager of the Fund and the Holding LP pursuant to the Management Agreement;

“Maximum Offering” means the offering of a maximum of \$130,000,000 of Units, which amount shall be reduced by the aggregate subscription amount for any Class C Units sold on a concurrent private placement basis at the discretion of the Fund to senior management of the Manager, certain other investors known to the Manager, and Lead Investors, if any, and, except where the context requires otherwise, assumes that \$90,000,000 of Class A Units, \$30,000,000 of Class B Units, and \$10,000,000 of Class C Units are issued pursuant to this Prospectus;

“MD&A” means management’s discussion and analysis;

“MI 61-101” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* as replaced or amended from time to time;

“Minimum Offering” means the offering of a minimum of \$61,000,000 of Units, which amount shall be reduced by the aggregate subscription amount for any Class C Units sold on a concurrent private placement basis at the discretion of the Fund to senior management of the Manager, certain other investors known to the Manager, and Lead Investors, if any, and, except where the context requires otherwise, assumes that \$38,250,000 of Class A Units, \$12,750,000 of Class B Units and \$10,000,000 of Class C Units are issued pursuant to this Prospectus;

“Minimum Return” means in respect of a Unit of a subject class, an amount equal to the sum of (i) the Investors Capital Return Base for a Unit of the subject class and (ii) a return of 7.0% per annum on the Investors Capital Return Base for a Unit of the subject class calculated on a cumulative, but not compounded, basis to the date of calculation of the Minimum Return, provided that if more than one series of a class of Units is issued subsequent to the Closing Date, the foregoing calculations will be separately determined on the basis of each such series;

“Mortgage Loans” means one or more mortgages, charges, pledges, hypothecs, liens, security interests or other encumbrances of any kind or nature whatsoever of the Properties, to be granted to one or more lenders, the proceeds of which will be used to finance the purchase, ownership and leasing of such Property;

“Nanaimo and Langford Properties Purchase Agreement” has the meaning set out under “Description of the Activities of the Fund – The Initial Portfolio – Acquisition Agreements – Nanaimo and Langford Properties Purchase Agreement”;

“Nanaimo Property” means the 251 multi-family suites located at 6035 Linley Valley Drive and 4800 Uplands Drive in Nanaimo, BC;

“NCI” means the non-certificated inventory system of CDS;

“Net Asset Value” means the net asset value of the Fund, as determined by the audit committee;

“Net Subscription Proceeds” means the net proceeds received by the Fund from (i) the issuance of such class of Units pursuant to the applicable offering, minus (ii) the aggregate Agents’ Fee payable in respect of such class of Units, as applicable, provided that if more than one series of a class of Units is issued subsequent to the Closing Date the foregoing calculations will be separately determined on the basis of each such series;

“NI 41-101” means National Instrument 41-101 – *General Prospectus Requirements*, as replaced or amended from time to time;

“NI 51-102” means National Instrument 51-102 – *Continuous Disclosure Obligations*, as replaced or amended from time to time;

“NI 52-109” means National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings*, as replaced or amended from time to time;

“NI 52-110” means National Instrument 52-110 – *Audit Committees*, as replaced or amended from time to time;

“NOI” has the meaning set out under “Non-IFRS Measures”;

“NOI Margin” has the meaning set out under “Non-IFRS Measures”;

“Non-Resident” means either a “non-resident” of Canada within the meaning of the Tax Act or a partnership that is not a “Canadian partnership” within the meaning of the Tax Act;

“NP 46-201” means National Policy 46 201 – *Escrow for Initial Public Offerings*;

“Offering” means the offering of up to \$130,000,000 of Units;

“Offering Price” means \$10.00 per Unit;

“Operating Expenses” means all amounts paid or payable on account of expenses in the operation of and/or leasing of the Properties;

“Operating Policies” means the operating policies of the Fund, as more particularly described under “Investment Restrictions and Operating Policies – Operating Policies”;

“Ordinary Resolution” means a resolution of the unitholders, limited partners or shareholders of an Entity, as the case may be, approved by not less than 50% of the votes cast by those persons who vote in person or by proxy at a duly convened meeting of the respective Entity, or a written resolution signed by the unitholders, limited partners or shareholders of an Entity, entitled, in the aggregate, to not less than 50% of the aggregate number of votes of those persons;

“Original Purchasers” has the meaning set out under “Purchasers’ Statutory Rights and Other Contractual Rights”;

“Person” includes any individual, firm, partnership, limited partnership, limited liability partnership, joint venture, venture capital fund, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, trust, unincorporated association or organization, governmental authority, syndicate or other entity, whether or not having legal status, however designated or constituted;

“Plans” has the meaning set out under “Eligibility for Investment”;

“Primary Markets” means the primary markets in which the Fund seeks to directly or indirectly acquire properties, being Vancouver Island and the mainland of the Province of BC;

“Properties” means the lands and premises or interests therein to be purchased, owned and leased, by the Fund or its Subsidiaries, including the Initial Portfolio, and **“Property”** means one of the Properties;

“Proportionate Class A Interest” is equal to the Aggregate Class A Interest, divided by the Aggregate Units Interest, provided that if more than one series of a class of Units is issued subsequent to the Closing Date the foregoing calculation will be separately determined on the basis of each such series;

“Proportionate Class B Interest” is equal to the Aggregate Class B Interest, divided by the Aggregate Units Interest, provided that if more than one series of a class of Units is issued subsequent to the Closing Date the foregoing calculation will be separately determined on the basis of each such series;

“Proportionate Class C Interest” is equal to the Aggregate Class C Interest, divided by the Aggregate Units Interest, provided that if more than one series of a class of Units is issued subsequent to the Closing Date the foregoing calculation will be separately determined on the basis of each such series;

“Prospectus” means this prospectus and any amendments hereto and documents incorporated by reference herein;

“Public Market Exemption” has the meaning set out under “Certain Canadian Federal Income Tax Considerations – Status of the Fund”;

“Purchaser” means a purchaser of Units;

“RDSPs” means registered disability savings plans as defined in the Tax Act;

“Redemption Value” means an amount equal to 95% of the Net Asset Value;

“Related Party” means, with respect to any person, a person who is a “related party” as that term is defined in MI 61-101;

“RESPs” means registered education savings plans as defined in the Tax Act;

“RRIFs” means registered retirement income funds as defined in the Tax Act;

“RRSPs” means registered retirement savings plans as defined in the Tax Act;

“Sample Target Property” has the meaning set out under “Description of the Securities Distributed – Units – Distributions”;

“Securities Act” means the *Securities Act* (Ontario), and the regulations thereunder, as amended from time to time;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval at www.sedar.com;

“**SIFT Rules**” means the provisions of the Tax Act applicable to SIFT trusts, SIFT partnerships and their unitholders, as applicable;

“**SOE Report**” means the 2021 State of the Nanaimo Economy Report;

“**Special Resolution**” means a resolution of the unitholders, limited partners or shareholders of an Entity, as the case may be, approved by not less than $66\frac{2}{3}\%$ of the votes cast by those persons who vote in person or by proxy at a duly convened meeting of the respective Entity, or a written resolution signed by the unitholders, limited partners or shareholders of an Entity, entitled, in the aggregate, to not less than $66\frac{2}{3}\%$ of the aggregate number of votes of those persons;

“**Special Voting Unit**” means a special voting unit of the Fund issued in connection with Exchangeable Units for the purpose of providing voting rights (but no economic rights) with respect to the Fund to the holders of such Exchangeable Units prior to the conversion of such securities into Class C Units;

“**Starlight**” means Starlight Group and its affiliates as the context requires;

“**Starlight Group**” means Starlight Group Property Holdings Inc., a BC corporation;

“**Subsidiary**” includes, with respect to any Person, an entity controlled, directly or indirectly, by such Person and, in respect of the Fund, shall include the Holding LP, the Holding GP and any special purpose vehicle wholly-owned by the Holding LP and “**Subsidiaries**” means any two or more of them;

“**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time;

“**Tax Proposals**” has the meaning set out under “Certain Canadian Federal Income Tax Considerations”;

“**taxable capital gain**” has the meaning set out under “Certain Canadian Federal Income Tax Considerations – Taxation of Holders – Taxation of Capital Gains and Capital Losses”;

“**Term**” means the term of the Fund, which is targeted to be three years;

“**TFSAs**” means tax-free savings accounts as defined in the Tax Act;

“**Trade-Mark Licence Agreement**” means the trade-mark licence agreement between Starlight Group and the Fund pursuant to which Starlight Group will grant to the Fund a non-exclusive, royalty-free licence to, among other things, use the “Starlight” trade-marks in Canada for the purpose of conducting its activities as provided for by the Declaration of Trust;

“**Trustee**”, at any time, means an individual who is, in accordance with the provisions hereof, a trustee of the Fund at that time and “**Trustees**” means, at any time, all of the individuals each of whom is at that time a trustee;

“**Unit Class Expenses**” means the expenses of the Fund (and where the context requires, its Subsidiaries) allocable to a specific class of Units, provided that if more than one series of a class of Units is issued subsequent to the Closing Date the foregoing calculation will be separately determined on the basis of each such series;

“**Unitholder**” means a holder of record of any Units;

“**Unit Redemption Date**” has the meaning set out under “Description of the Securities Distributed – Units – Redemption”;

“**Unit Redemption Notice**” has the meaning set out under “Description of the Securities Distributed – Units – Redemption”;

“**Units**” means the Class A Units, Class B Units and Class C, collectively;

“Vernon Property” means the 60 multi-family suites located at 3400 Centennial Drive in Vernon, BC;

“Vernon Property 2” means the 43 multi-family suites located at 1803 31A Street in Vernon, BC; and

“Western Canada Multi-Family LP” means Starlight Western Canada Multi-Family Limited Partnership.

1. FUND STRUCTURE

1.1 Name and Formation

The Fund

The Fund is a newly-created “open-ended fund”, managed by the Manager, a Subsidiary of Starlight Group. The Fund is a trust governed by the laws of the Province of Ontario and was established on November 12, 2021 pursuant to the initial declaration of trust of the Fund. The Board currently comprises, and upon closing of the Offering, will continue to comprise, Mandy Abramsohn, Denim Smith and Lawrence D. Wilder.

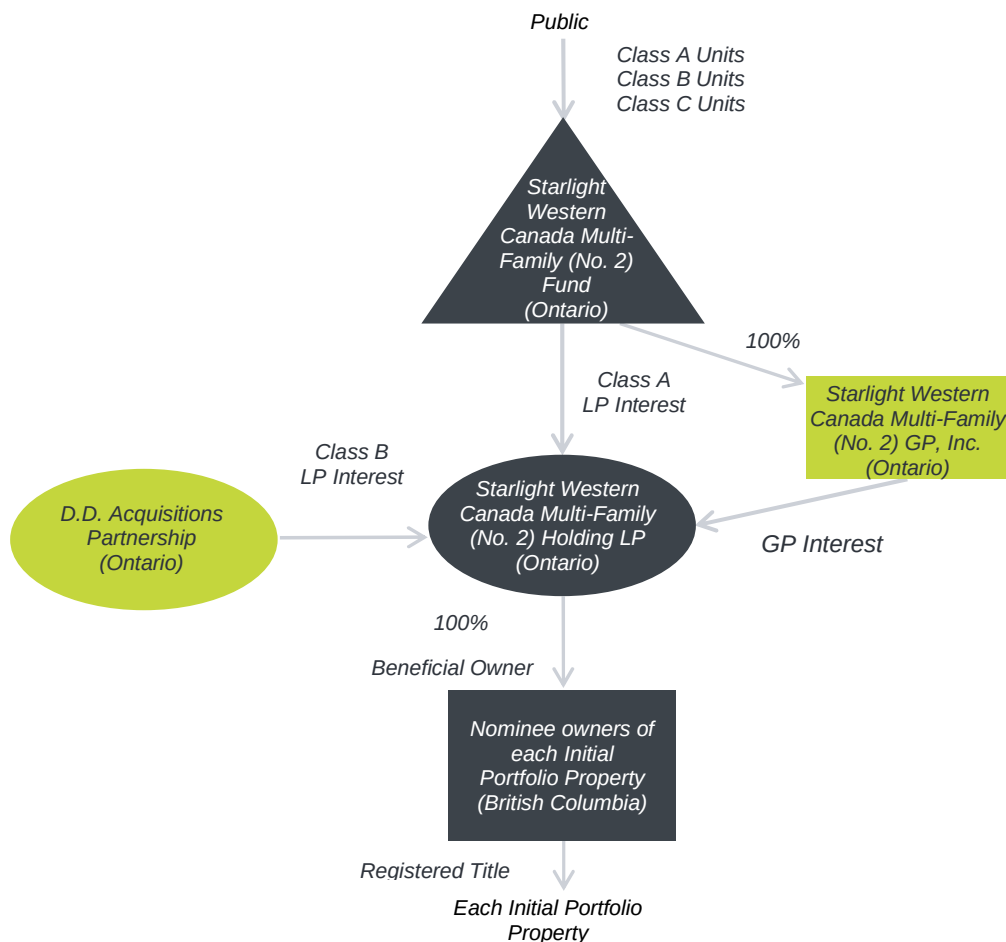
The head and registered office of the Fund is 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto, Ontario, M8X 2X3.

The Holding LP

The Holding LP is a limited partnership that was formed on November 12, 2021 pursuant to and governed by the laws of the Province of Ontario. The general partner of the Holding LP is the Holding GP, a corporation incorporated pursuant to the laws of the Province of Ontario. All of the issued and outstanding shares of the Holding GP are owned by the Fund.

1.2 Structure Chart

The following chart sets forth the relationships among the Fund, the Holding LP, the Holding GP and Starlight Group (and certain related entities), assuming the acquisition of the Initial Portfolio.



2. INVESTMENT STRATEGY

The Fund was established for the primary purpose of directly or indirectly acquiring, owning, operating and stabilizing a portfolio composed of income-producing multi-family real estate properties in the Primary Markets that demonstrate value based on pricing and local supply and demand trends to achieve the Fund's target metrics by leasing non-stabilized properties, increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions as a result of active asset management and are located in the Primary Markets. The Manager believes the western Canadian multi-family real estate sector presents a compelling investment opportunity and provides competitive long-term returns when compared to other real estate opportunities.

2.1 Investment Objectives

The Fund's investment objectives are to:

- (a) directly or indirectly acquire, own, operate and stabilize a portfolio of newer vintage and newly-constructed income-producing, multi-family real estate properties which are geographically diversified across the Primary Markets;
- (b) make stable monthly cash distributions; and
- (c) enhance earnings from the Properties through active asset management, which may include leasing non-stabilized properties, increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions, best-in-class property management and economies of scale.

The Fund will target an annual pre-tax distribution yield of 3.0% to 4.0% on Gross Subscription Proceeds across all Unit classes and aim to realize a minimum 12% pre-tax investor internal rate of return across all Unit classes upon disposition (directly or indirectly) of the Fund's interests in its assets at or before the end of the targeted three-year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class (or series, as applicable) of Unit and applicable Unit Class Expenses. In the event the Gross Subscription Proceeds are \$61,000,000 or greater, the net proceeds from the Offering and any concurrent private placements will be in excess of the amount required to complete the purchase of the Initial Portfolio and, therefore, initially, not all of the net proceeds from the Offering and any concurrent private placements will be deployed by the Fund to directly or indirectly acquire interests in income-producing properties. The net proceeds from the Offering and any concurrent private placements which exceed the amount required to complete the purchase of the Initial Portfolio are not expected to have an impact on Distributable Cash Flow and, accordingly, until such excess funds are deployed by the Fund to directly or indirectly acquire interests in one or more income-producing properties, the annualized pre-tax distribution yield per Unit may be less than the targeted yield per Unit. See "Risk Factors" and "Description of the Securities Distributed – Units – Distributions". An annual pre-tax distribution yield of 3.0% to 4.0% on Gross Subscription Proceeds would represent an expected AFFO payout ratio in the first year of operations of approximately 61% to 74%, assuming the Minimum Offering is achieved and based on the applicable Agents' Fee and costs of the Offering. The target AFFO payout ratio in the first year of operations, assuming the Maximum Offering is achieved and all funds are fully deployed, is forecasted to be 50% to 67%. The Fund will seek to achieve its investment objectives through its investment strategy as described under the heading "Investment Strategy".

2.2 Investment Strategy

In order to meet its investment objectives, the Fund's investment strategy will be as follows:

Acquisition of Western Canadian Multi-Family Real Estate

- (a) Identify multi-family acquisition opportunities in the Primary Markets in addition to the Initial Portfolio through the Manager's strong pipeline of exclusive acquisition opportunities by leveraging the Manager's relationships with principals, operators, brokers and other real estate asset managers and by its ability to source "off market" opportunities.
- (b) Target multi-family assets that are.

- (i) newer vintage or newly constructed properties that have not been stabilized or demonstrate the opportunity to increase in-place rents to market rents, with significant value upside; and
- (ii) strategically located properties in the Primary Markets, which demonstrate a supply-demand imbalance as well as barriers to new development.
- (c) Complete a comprehensive due diligence program, including cash flow and operating expense reviews, and, where applicable, third-party reports including market studies, structural and environmental assessments and appraisals.
- (d) Conduct a broad canvass of the lending community, including lenders with whom the Manager enjoys long-term relationships, to secure debt financing on competitive terms.
- (e) Explore, from time to time, co-investment opportunities involving the Fund and one or more co-investors. See “Investment Strategy – Potential Co-Investments”.

Asset Value Enhancement Through Active Asset Management Strategy

- (a) Utilize the Manager’s network to source attractive future acquisitions from principals, operators, brokers and other real estate asset managers.
- (b) Seek ancillary income opportunities such as cable, antenna and laundry contracts as well as package handling and visitor and tenant parking.
- (c) Reduce Operating Expenses such as staffing, energy and water expenses through sub-metering (currently, 83% of the suites at the Nanaimo Property are sub-metered), maintenance contracts, general and administrative expenses, and insurance through economies of scale.
- (d) Utilize reputable best-in-class property managers.

Western Canada

The Manager will target acquisitions in the Primary Markets, where markets feature:

- (a) compelling employment, population and economic growth rates;
- (b) attractive employment and other opportunities for new immigrants to Canada;
- (c) consistently low rental vacancy rates and high rental growth rates; and
- (d) relatively comfortable climates and quality of life.

The Fund expects to directly or indirectly acquire properties in the Primary Markets and the Manager believes that each of the Primary Markets exhibits one or more of the characteristics above.

Value Realization

- (a) Asset value increases are expected by the Manager to be realized through a combination of NOI growth, through among other things, active asset management resulting in increased rental rates and a pricing premium on the aggregated portfolio.
- (b) The Manager, on behalf of the Fund, may execute dispositions, directly or indirectly, throughout the Term on a single asset or portfolio basis through private and public market transactions to maximize value.
- (c) The private real estate investment market and the public capital markets will be monitored to seek an exit strategy that can be executed with a view towards maximization.

Strategic Western Canadian Market and Asset Class Focus

The Manager believes that:

- (a) multi-family fundamentals are strong, featuring both strong occupancy rates and appealing long-term rental growth rates due to the supply-demand imbalance in the Primary Markets;
- (b) declining home ownership affordability and positive demographic trends including immigration increasingly support strong demand for rental accommodation, which should enhance the sector's performance;
- (c) people are attracted to markets featuring job availability, high quality of life, rental housing affordability and comfortable climates;
- (d) the multi-family asset class has demonstrated resiliency during COVID-19 with occupancy, rent growth and collection levels above those of other real estate asset classes;
- (e) attractive debt financing rates create positive leverage; and
- (f) multi-family real estate provides strong, risk-adjusted, long-term returns compared to other real estate asset classes.

The Manager plans to provide the Fund with the platform necessary to capitalize on this opportunity, offering its experience, expertise, and the benefit of its established network of industry contacts. The Manager believes the multi-family real estate sector in Western Canada currently provides an opportunity to acquire multi-family properties at favourable pricing. The Manager believes real estate investment trusts and institutional investors have focused their attention on trophy assets and urban core markets that have lower perceived risk, higher liquidity, and more favourable lending characteristics. Consequently, the Manager believes there exists an inventory of income-producing, multi-family properties in the Primary Markets that it can source on an "on" and "off" market basis at attractive pricing. Additionally, the Manager expects that the low interest rate environment and investors' demand for yield will lead to an increase in demand for income-producing real estate.

Financing Strategy

The Fund seeks to take advantage of near-record low fixed-rate interest rates (approximately 2.0%) currently available through CMHC-insured mortgage lenders. Through loan assumption and direct application through CMHC, the Fund has obtained financing terms for the Initial Portfolio to approximately 65% loan to value. The Fund intends to add a secondary interest-only mortgage behind the CMHC-insured mortgages to a maximum of 75% loan to value at very competitive mortgage rates (approximately 2.5%) to ensure the capital structure of each property is optimized. The second mortgage is expected to be on a floating basis with the flexibility to refinance should the Fund elect to do so. At the Closing Date, the Fund is targeting an approximate 75% loan-to-value on the Initial Portfolio.

2.3 Investment Highlights

Resilient Canadian Economy

Coming from a position of strength, Canada's economy has remained resilient through the COVID-19 pandemic and is currently almost at pre-COVID-19 levels. Over the past ten years, Canada has experienced strong population growth driven by high levels of immigration, attracting on average around 273,000 immigrants per year. Despite the impact of the pandemic, these levels remained stable in 2020 - 2021 and are expected to grow moving forward with more than 411,000 new immigrants forecasted per year over the next three years (2021 – 2023). Continued strength in immigration has supported employment growth, economic growth and wage growth. Canada's employment has fully recovered to February 2020 levels at approximately 6% unemployment and wage growth is expected to increase at a steady rate. In 2020, Canada's annual wages increased by 3.2%.

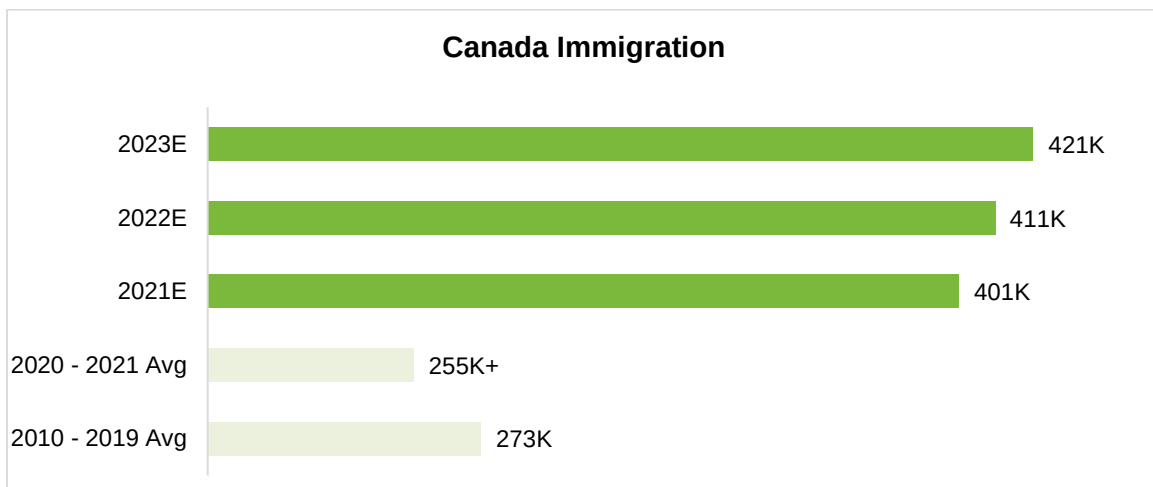
In response to the shutdowns caused by the pandemic, the Canadian Government implemented a substantial direct fiscal spending package to provide financial support to affected households. This government support has been effective in minimizing unemployment and helping those unable to work due to the pandemic to be able to afford their living expenses including rent.

Canada Multi-Family – Backed by Strong Fundamentals

The Canadian rental housing market is experiencing a significant market dislocation between demand and supply that has been further accelerated by the COVID-19 pandemic. This acceleration is being driven by:

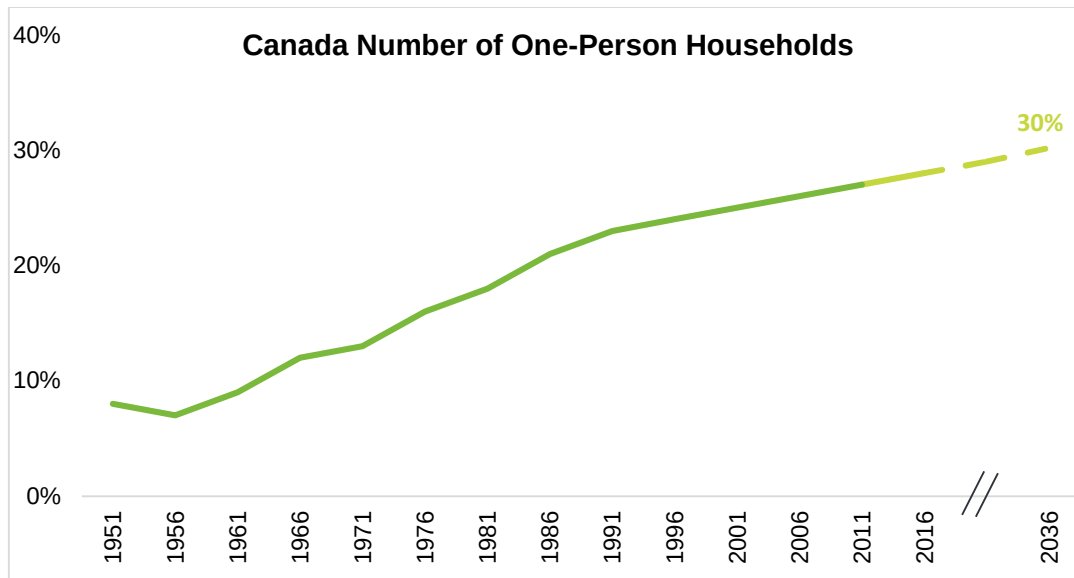
higher levels of immigration;
changes in lifestyle and increasing need for flexibility; and
deteriorating affordability.

Immigration: Canada has historically experienced high levels of immigration, which is expected to continue. According to statistics Canada, the Canadian government is targeting to welcome over 1.23 million new immigrants over the next three years. Statistics Canada has forecasted that Western Canada will receive approximately 15% of Canada's total immigration over the next three years, which equals approximately 183,000 immigrants. This continued population growth is expected to further strengthen the demand for rentals.



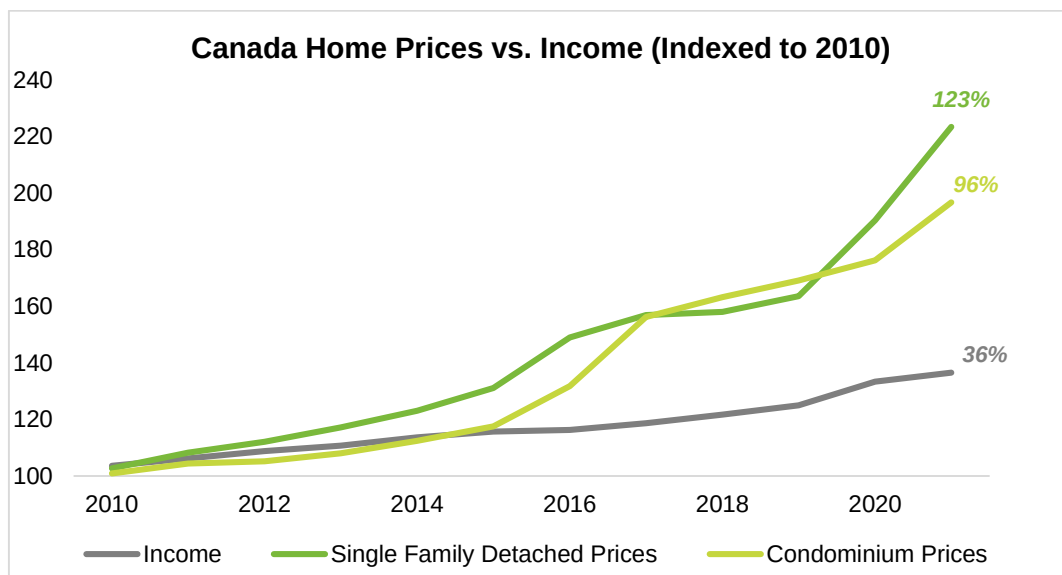
Source: Statistics Canada

Changes in Lifestyle: One-person households, which are more likely to rent than own, are now the most common type of household in Canada. According to Statistics Canada, over the past 50 years, one-person households have increased by approximately 25%. This trend is expected to continue with a forecasted increase of approximately 1.3 million one-person households by 2036 (approximately 30% of total households). Furthermore, shifts in lifestyle preferences are supporting increased rental demand. According to a survey completed by Informa Canada, over 60% of respondents listed lifestyle preferences as a reason to rent instead of own.



Source: Statistics Canada

Deteriorating Affordability: According to Statistics Canada and CREA, over the past ten years, home prices in Canada have increased three to four times more than income. Given the significant imbalance between the growth of average home prices and growth of income, home ownership is becoming increasingly more challenging and as a result demand is increasing for rentals.



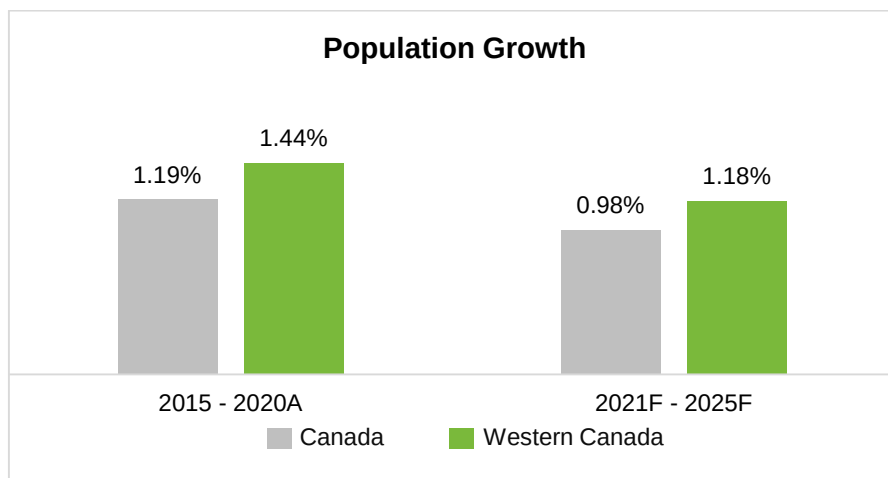
Source: Statistics Canada, CREA

Western Canada Multi-Family Outperformance

Western Canada is well positioned for future growth due to its strong underlying market fundamentals and represents a compelling investment opportunity driven by:

- higher population and employment growth;
- lower vacancy and higher rental rate growth;
- deteriorating affordability; and
- insufficient rental supply.

Population and Employment: Western Canada has consistently outperformed the rest of Canada with higher than average population growth and employment growth. According to the Government of BC and Statistics Canada, between the periods of 2015-2020 Western Canada experienced population growth of 1.44% (an increase of 371,000 individuals) and employment growth of 2.02% in comparison to Canada's growth of 1.19% and 1.18%, respectively. This growth is expected to continue over the next five years with Western Canada forecasted to experience annual population growth of 1.18% and employment growth of 2.27% compared to Canada's 0.98% and 1.93%, respectively.

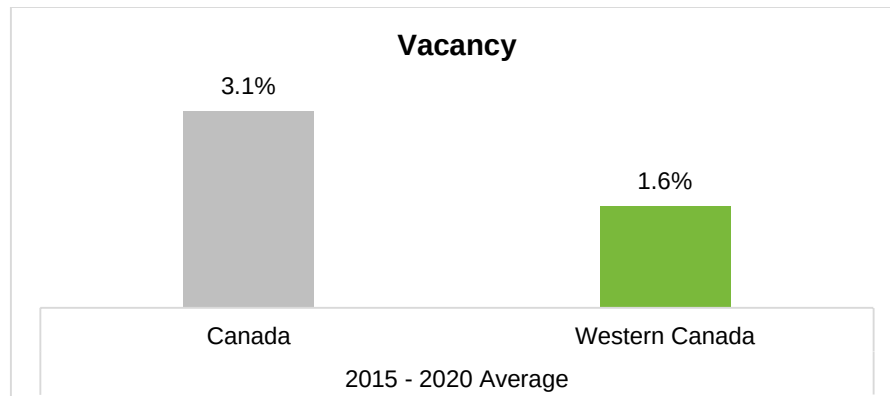


Source: Government of BC, Statistics Canada

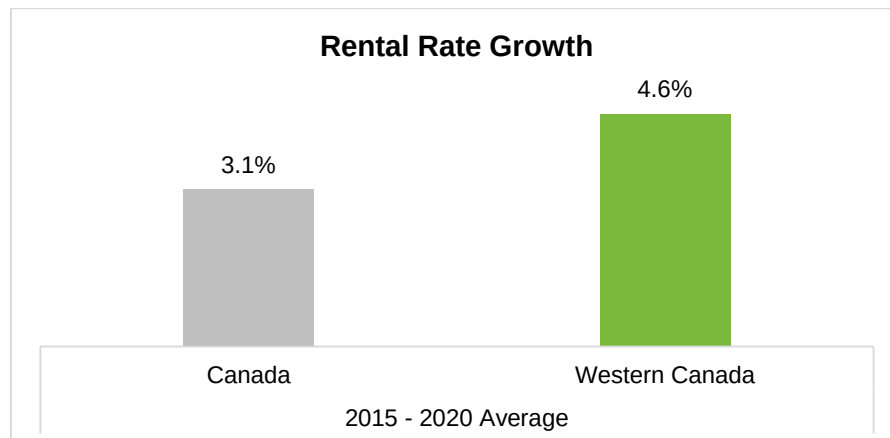


Source: Government of BC, Statistics Canada

Vacancy and Rental Rates: According to CMHC, Western Canada has experienced historically lower vacancy and higher average annual rent growth than the rest of Canada. Between the periods of 2015-2020 Western Canada's vacancy rate remained at an average of 1.6% in comparison to Canada's vacancy rate of 3.1%. Due to the high rental demand in Western Canada the market has also experienced high rental rate growth. Over the past five years, Western Canada's rental rate growth has averaged 4.6%, outpacing Canada's rental rate growth of 3.1%.



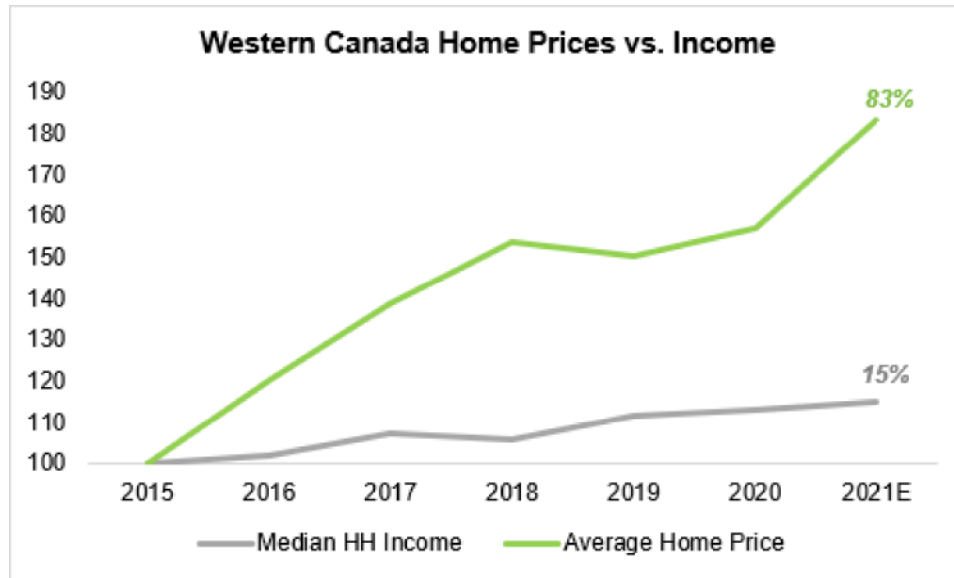
Source: CMHC



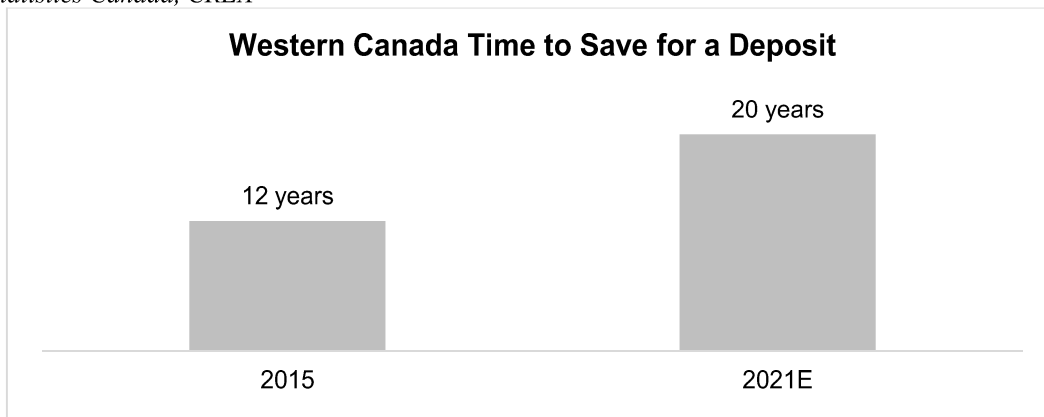
Source: CMHC

Deteriorating Affordability: The multi-family sector in Western Canada can be characterized by constrained new supply and rapidly increasing demand. This dislocation has only worsened through COVID-19, further driving demand for rental apartments. Coupled with high population growth and high economic growth, the deteriorating affordability in Western Canada is putting additional pressure on demand for rentals.

Using data from CREA and Statistics Canada, over the past five years, average home prices in Western Canada have increased by approximately 83%. This increase in home prices has surpassed income growth by approximately five times over the same period. As a result, the average time to save for a deposit to buy a home in Western Canada has increased from approximately 12 years in 2015 to approximately 20 years in 2021.



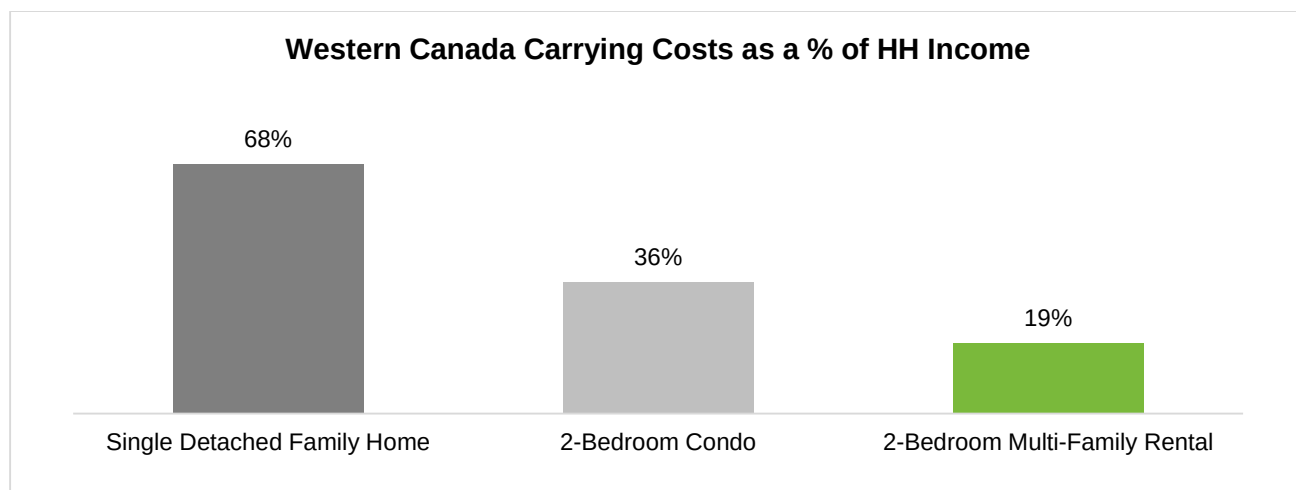
Source: Statistics Canada, CREA



Note: Time to save for a deposit estimated assuming a 20% down payment on the BC average home price (2015 = \$445k, 2021 = \$815k) and 10% annual savings from the BC median household income (2015 = \$75k, 2021 = \$86k)

Source: Statistics Canada, CREA

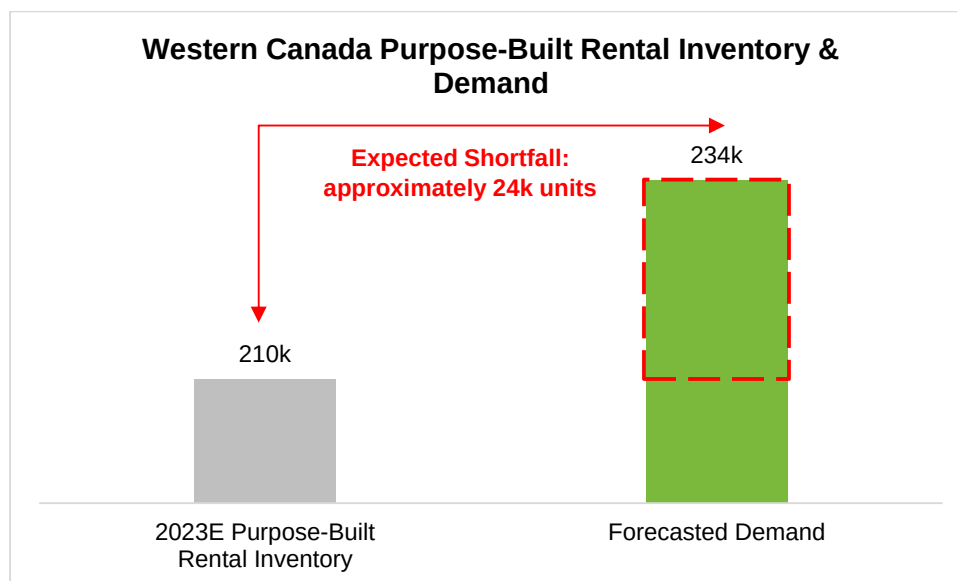
In addition to increasing price barriers for home ownership in Western Canada, the average carrying costs of home ownership are significantly higher than renting. Based on CREA's data for average home prices, the annual carrying costs (including mortgage payments, maintenance costs, property taxes and insurance) to own a single-detached family home and a two-bedroom condominium are approximately 68% and 36% of the median annual household income respectively. This is significantly higher than the annual cost to rent a two-bedroom apartment at approximately 19% of household income.



Note: Monthly carrying costs for different housing options include items such as mortgage payments, maintenance, property tax and other costs.

Source: Statistics Canada, CREA, Starlight Analysis

Rental Supply: Increasing rental demand in Western Canada is being met with insufficient supply. According to CMHC, over the past five years, Western Canada has only added, on average, approximately 13,000 purpose-built rental suites per year. Starlight estimates a shortfall of approximately 24,000 purpose-built rental suites over the next three years based on CMHC's count of purpose-built rental suites currently under construction and Western Canada's forecasted immigration targets.

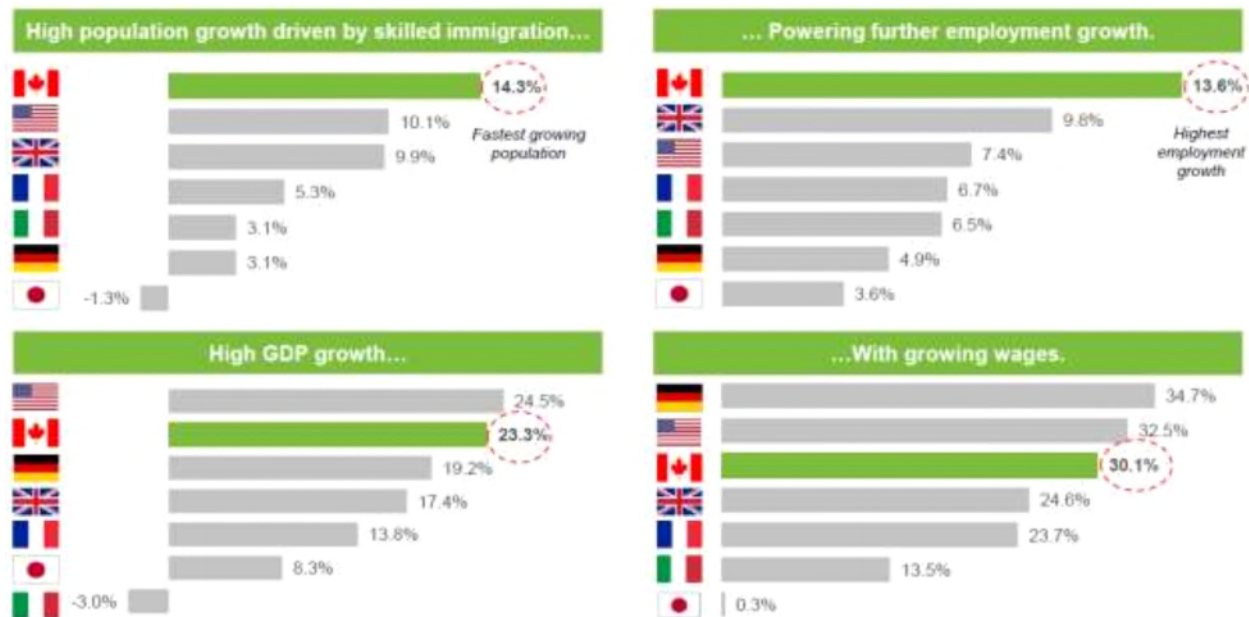


Note: Forecasted demand estimated by assuming 34% of new immigrants rent and adding that to current renter population

Source: CMHC, Government of BC, Statistics Canada, Starlight Analysis

Market Overview

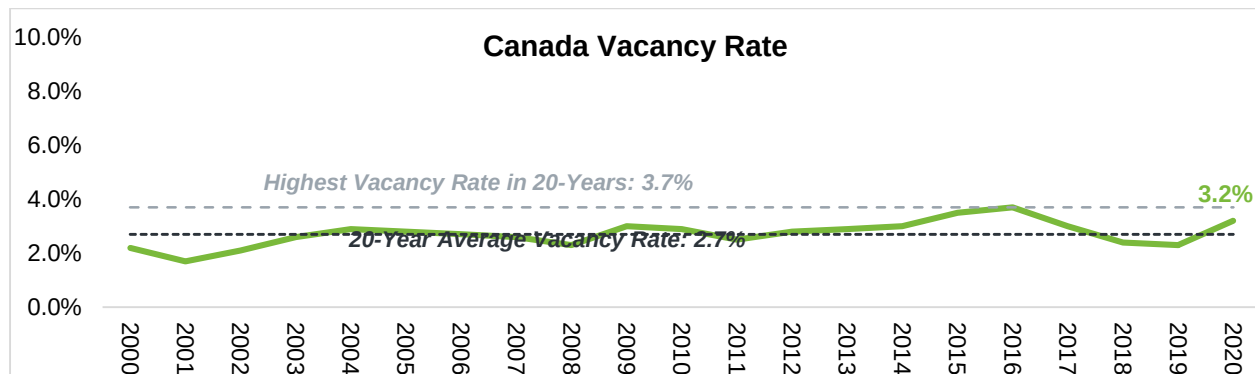
Over the past decade Canada has performed well compared to the G7 with respect to several major economic indicators including population growth, employment growth, GDP growth and wage growth.



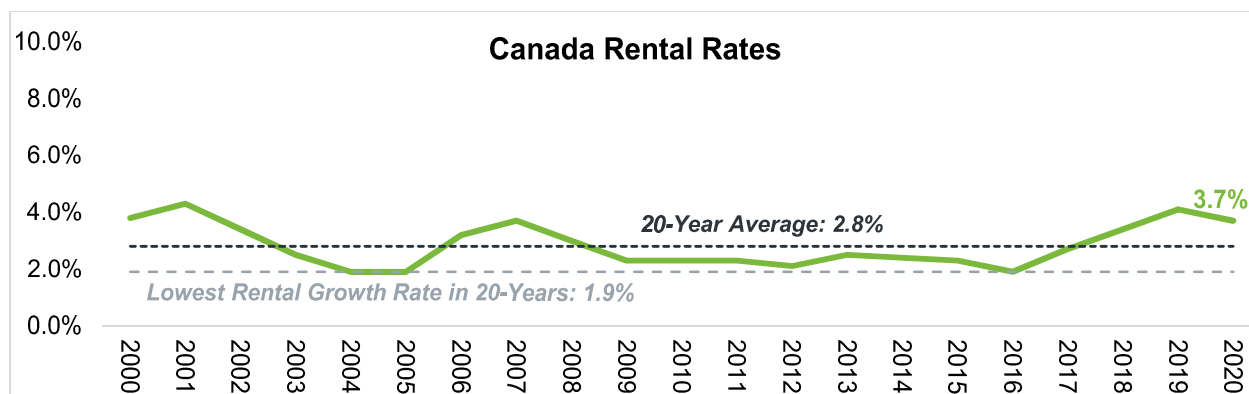
Source: OECD, CBRE, JLL, BMO

Supported by Canada's strong fundamentals, the Canadian multi-family market has remained resilient. Due to its essential nature, Canadian multi-family has performed very well despite the impact of COVID-19. The strong demand drivers for rental housing and insufficient levels of supply have remained strong throughout the pandemic which has resulted in stable vacancy rates and consistent rental growth.

According to CMHC, 2020 vacancy rates across Canada were 3.2%. This however was still below the 20-year high of 3.7%, indicating a tight real estate market with little volatility. Rental rate growth for 2020 has remained above the 20-year average of 2.8% at 3.7%.

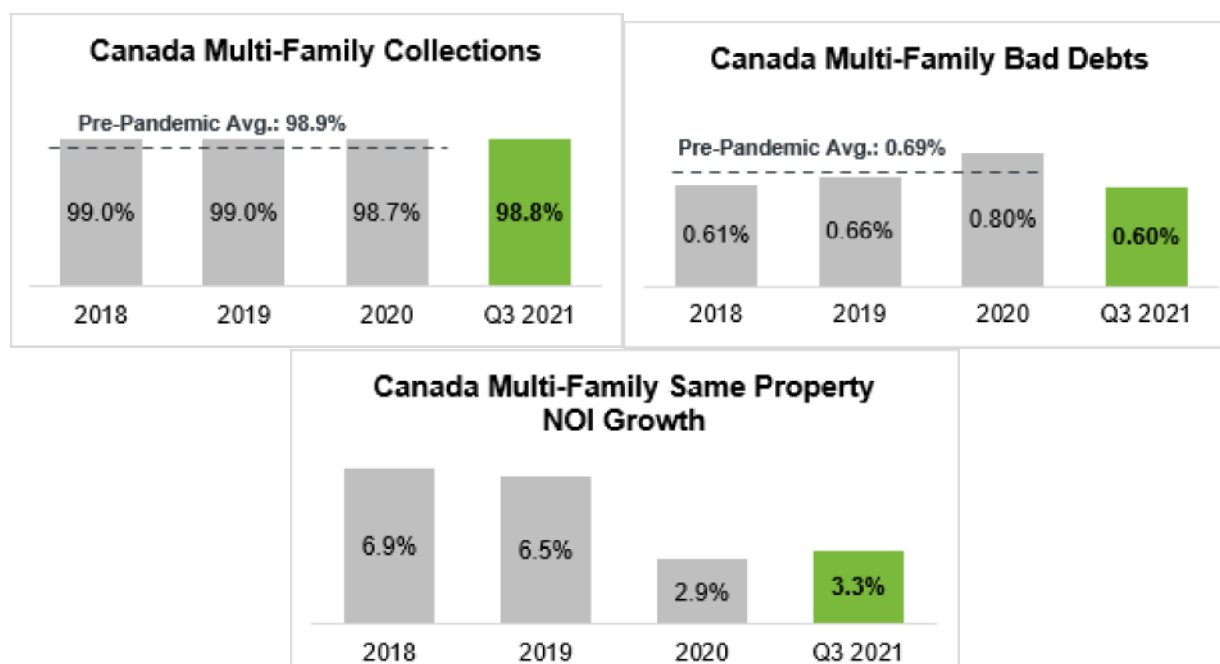


Source: CMHC



Source: CMHC

Throughout the COVID-19 pandemic, the Canadian Multi-Family market further demonstrated its resiliency by showing little impact on key indicators. Rent collections, bad debt as a percentage of rent and same property NOI growth have remained at pre-COVID-19 levels highlighting the defensive nature of this asset class.

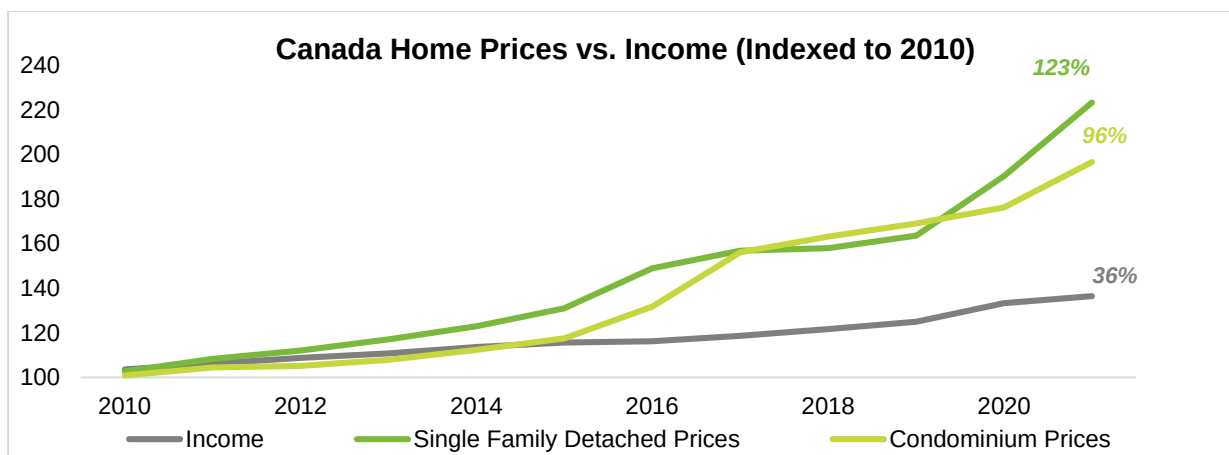


Note: Based on the averages of Canadian Multi-Family REITs including Killam REIT, CAPREIT, Boardwalk REIT & InterRent REIT.

Source: CMHC, CBRE, Company SEDAR Filings

Using data from CREA and Statistics Canada over the past ten years, home ownership costs in Canada have more than doubled while incomes have only increased by approximately 36%. This trend of deteriorating affordability has been accelerated through the pandemic with home prices increasing more than three times as much as income between March 2020 and July 2021. Given the significant imbalance between the growth of average home prices and growth of income, less people can afford to own, and more people are choosing to rent.

Furthermore, the average time to save for a down payment to buy a home in Canada ranges from approximately 13 years to approximately 21 years, depending on property type.



Source: Statistics Canada, CREA

2.4 Potential Co-Investments

The Manager has extensive experience in the multi-family real estate sector, including in western Canada. During the past ten years, the principal of the Manager, Daniel Drimmer, has acquired, operated and sold in excess of 130,000 multi-family suites. Throughout this period, the Manager has developed a broad network of, and has maintained ongoing relationships with, numerous sophisticated investors in the multi-family real estate sector (including, in particular, real estate investment trusts, brokers, asset managers and pension funds). The Manager may leverage its network and ongoing relationships with such investors by exploring, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors. Such co-investment opportunities may allow the Fund to participate in the acquisition of larger portfolios than it would otherwise be able to acquire acting as a sole purchaser. As such, the Fund has been structured to facilitate co-investments by one or more co-investors, provided the Fund retains voting control of the Holding LP. Notwithstanding the foregoing, the Fund may not control some or all of the decision making with respect to the Properties that are the subject of a co-investment. Should the Fund determine it is in the best interests of the Fund to acquire any Property with a co-investor, conflicts of interest could arise between the Fund and such co-investor, including with respect to the sale of such Property. See “Risk Factors – Risk Factors Relating to the Fund – Co-investment/Joint Ventures”.

3. INVESTMENT RESTRICTIONS AND OPERATING POLICIES

3.1 Investment Restrictions

The Declaration of Trust provides certain restrictions on investments that may be made directly or indirectly by the Fund. The assets of the Fund may be invested only in accordance with the following restrictions:

- (a) the Fund may only invest, directly or indirectly, in interests (including fee ownership and leasehold interests) in multi-family real estate properties located in BC and assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other Investment Restrictions of the Fund, provided that the Fund may invest up to 10% of the Investable Funds in real properties which do not comply with the foregoing;
- (b) other than the Properties comprising the Initial Portfolio, neither the appraised value nor the purchase price of the interest of the Fund in any single building at a Property shall exceed 25% of the Net Asset Value unless approved by the Board;
- (c) the Fund may make its investments and conduct its activities, directly or indirectly, through an investment in one or more Persons on such terms as the Trustees may from time to time determine;
- (d) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to the Investment Restrictions and Operating Policies of the Fund, the Fund may not hold securities of a person other than to the extent such securities would constitute an investment in real

property (as determined by the Board) and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, but in all events subject to paragraph (h) below, the Fund may hold securities of a person: (i) acquired in connection with the carrying on, directly or indirectly, of the Fund's activities or the holding of its assets; or (ii) which focuses its activities primarily on the activities described in paragraph (a) above, provided in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding securities of an issuer (the "**Acquired Issuer**") on a fair market value basis, except for investments referred to in paragraph (a) or investments held by the Fund, directly or indirectly, following the acquisition of the Initial Portfolio, the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of the Fund and the Acquired Issuer or for otherwise ensuring that the Fund will control the business and operations of the Acquired Issuer);

- (e) the Fund shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (f) the Fund shall not invest in raw land for development, except for the purpose of the renovation or expansion of existing Properties;
- (g) the Fund may invest in mortgages (including participating or convertible mortgages) and similar instruments where: (i) the Board has approved such investment; (ii) the real property which is security therefor is income-producing real property which otherwise meets the Investment Restrictions; (iii) the aggregate book value of the investments of the Fund in mortgages, after giving effect to the proposed investment, will not exceed 25% of the Investable Funds; (iv) such investments are not entered into for speculative purposes; and (v) the Board believes that such investments will provide the Fund with the opportunity to acquire the Property underlying such investment within one year from the date such investment is made;
- (h) notwithstanding any other provisions of the Declaration of Trust, the Fund shall not take any action, or acquire, retain or hold any investment in any entity or other property that would result in the Fund not qualifying as a "unit trust" and a "mutual fund trust", that would result in the Fund, the Holding LP, or any other investee of the Fund being a "SIFT trust" or a "SIFT partnership"; or that would result in any Units not being "qualified investments" for trusts governed by Plans, in each case within the meaning of the Tax Act; and
- (i) the Fund shall not invest more than 10% of the Investable Funds in securities of a publicly traded entity.

3.2 Operating Policies

The Declaration of Trust provides that the operations and affairs of the Fund and the Holding LP are to be conducted in accordance with the following policies:

- (a) the Fund shall not purchase, sell, market or trade in currency or interest rate futures contracts other than for hedging purposes where, for the purposes hereof, the term "hedging" has the meaning ascribed thereto by National Instrument 81-102 – *Investment Funds* adopted by the Canadian Securities Administrators, as replaced or amended from time to time;
- (b)
 - (i) any written instrument creating an obligation which is or includes the granting by the Fund of a mortgage; and
 - (ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duties to act in the best interests of the Trust, any written instrument which is, in the judgment of the Trustees, a material obligation,

shall contain a provision, or be subject to an acknowledgement to the effect, that the obligation being created is not personally binding upon, and that resort must not be had to, nor will recourse or satisfaction be sought from, by lawsuit or otherwise the private property of any of the Trustees, Unitholders, annuitants or beneficiaries under a plan of which a Unitholder acts as a trustee or carrier, or officers,

employees or agents of the Fund, but that only property of the Fund or a specific portion thereof is bound; the Fund, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the Fund upon the acquisition of real property;

- (c) the Fund may only engage in construction or development of real property to maintain its real properties in good repair or to improve the income-producing potential of properties in which the Fund has an interest;
- (d) title to each real property shall be held by and registered in the name of any of a corporation, a partnership or other entity wholly-owned, directly or indirectly, by the Fund or jointly-owned, directly or indirectly, by the Fund with joint venturers or in such other manner which, in the opinion of the Board, is commercially reasonable;
- (e) the Fund shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the Fund would be more than 75% of the Investable Funds provided that, if approved by the Board, the appraised value of the Properties may be used instead of Investable Funds for the purposes of this paragraph (e);
- (f) the Fund shall obtain and maintain at all times property insurance coverage in respect of potential liabilities of the Fund and the accidental loss of value of the assets of the Fund from risks, in amounts, with such insurers, and on such terms as the Board considers appropriate, taking into account all relevant factors including the practice of owners of comparable properties;
- (g) the Fund shall obtain a Phase I environmental site assessment of each real property to be acquired by it and, if the Phase I environmental site assessment report recommends that a further environmental site assessment be conducted, the Fund shall conduct such further environmental site assessments, in each case by an independent and experienced environmental consultant; as a condition to any acquisition such assessments shall be satisfactory to the Board;
- (h) the Fund shall obtain a property condition assessment of each property that it intends to acquire; and
- (i) the Fund shall obtain an independent appraisal of each such property, or an independent valuation of a portfolio of properties, that it intends to acquire.

For the purpose of the foregoing Investment Restrictions and Operating Policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially-owned by the Fund, including the Holding LP, will be deemed to be those of the Fund and they will be accounted for in accordance with the methods prescribed by IFRS, except in the case of the Investment Restrictions described in 3.1(h) above to the extent that such treatment would be inconsistent with the relevant requirements or interpretation of the Tax Act. In addition, any references in the foregoing Investment Restrictions and Operating Policies to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

3.3 Amendments to Investment Restrictions and Operating Policies

Pursuant to the Declaration of Trust, all of the Investment Restrictions and the Operating Policy contained in paragraph (e) set out under the heading “Operating Policies” may be amended only by Special Resolution. The remaining Operating Policies may be amended by Ordinary Resolution. Notwithstanding the foregoing, the Board may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein. See “Description of the Securities Distributed – Units – Meetings of Unitholders and Resolutions” and “Description of the Securities Distributed – Units – Amendments to the Declaration of Trust”.

Notwithstanding the foregoing paragraph, if at any time a government or regulatory authority having jurisdiction over the Fund or any property owned directly or indirectly by the Fund shall enact any law, regulation or requirement which is in conflict with any Investment Restriction or Operating Policy of the Fund then in force, such Investment Restriction or Operating Policy in conflict shall, if the Board, on the advice of legal counsel to the Fund, so resolves, be deemed to have been amended to the extent necessary to resolve any such conflict and any such resolution of the Board shall not require the prior approval of Unitholders.

4. DESCRIPTION OF THE ACTIVITIES OF THE FUND

The Fund will invest the proceeds from the issuance of Units in Holding LP Class A Units. The Holding LP will invest the proceeds from the issuance of Holding LP Class A Units to the Fund to directly or indirectly acquire the Properties, including the Initial Portfolio. See “Description of the Activities of the Fund – The Initial Portfolio” and “Investment Strategy”.

As a result, an investment in Units will be an indirect investment in the acquisition, ownership and leasing of the Properties and the Fund’s share of cash flow generated by the Holding LP will also ultimately form part of the Distributable Cash Flow and be available for distribution to Unitholders after payment of all Fund expenses.

4.1 Activities of the Fund

The Fund was established on November 12, 2021 for the primary purpose of directly or indirectly acquiring, owning, operating and stabilizing a portfolio composed of income-producing multi-family real estate properties in the Primary Markets that demonstrate value based on pricing and local supply and demand trends to achieve the Fund’s target metrics by leasing non-stabilized properties, increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions as a result of active asset management and are located in the Primary Markets. The Manager believes the western Canadian multi-family real estate sector presents a compelling investment opportunity and provides competitive long-term returns when compared to other real estate opportunities. The Fund’s principal undertaking will be to issue Units and to acquire, own and operate the Properties indirectly through the Holding LP. The Fund does not have an operating history. The Fund’s ultimate objective, through the Holding LP, is to enhance operating income and property values with a view of maximizing investor returns by the end of the Term.

The Term of the Fund is targeted to be three years, subject to earlier termination as described below. The Term may also be extended (including following the exercise of the two one-year extensions at the discretion of the Board) by Special Resolution of the Unitholders. Notwithstanding the Term outlined above, the Fund may be wound down and terminated as soon as practicable following a direct or indirect disposition of all of the assets of the Fund.

4.2 Trademarks

At or prior to the Closing Date, Starlight Group will grant to the Fund a non-exclusive royalty-free licence to, among other things, use the “Starlight” trademarks in Canada. for the purpose of conducting its activities as provided for by the Declaration of Trust and on such other terms to be set out in the Trade-Mark Licence Agreement. Starlight Group may terminate the Trade-Mark Licence Agreement in accordance with the termination provisions set out therein, including: (i) in the event of a material breach of the Trade-Mark Licence Agreement by the Fund that remains uncured for 60 days following notice from Starlight Group; (ii) upon the discontinuance by the Fund of its operations for a continuous period of three months which are not restarted within 30 days following written notice from Starlight Group; (iii) in the event the Fund becomes bankrupt or makes an assignment for the benefit of creditors, or if all or any part of its business is placed in the hands of a receiver or trustee, or if the Fund seeks the benefit of any statute for the protection of creditors or fails for reason of impecuniosity to meet its debts as they become due; (iv) in the event the Management Agreement is terminated; or (v) upon the dissolution or winding-up of the Fund.

4.3 Business of the Holding LP

The Holding LP was established for the purposes of issuing Holding LP Units and owning and leasing a portfolio of income-producing rental properties in the western Canadian multi-family real estate market. Each of the Properties may be owned by a separate underlying limited partnership or other Subsidiary entity established (or acquired) and owned by the Holding LP. See “Fund Structure – Structure Chart”.

4.4 The Properties

The Holding LP intends, on recommendation from the Manager, to invest (directly or indirectly through a Subsidiary) the proceeds realized from the issuance of Holding LP Units and any Mortgage Loans (directly or indirectly through one or more Subsidiaries) in income-producing rental properties in the western Canadian multi-family real estate market, including the Initial Portfolio. See “Description of the Activities of the Fund – The Initial Portfolio” below. The Manager intends to manage the Properties with the view to preserving capital and providing monthly cash returns. The

Manager expects to target newer vintage or newly constructed properties that have not been stabilized or demonstrate the opportunity to increase in-place rents to market rents, with significant value upside which are strategically located properties in the Primary Markets, with strong long-term job, population and economic growth rates and barriers to new development.

The Fund's investment objectives are to: (a) directly or indirectly acquire, own, operate and stabilize a portfolio of newer vintage and newly-constructed income-producing, multi-family real estate properties which are geographically diversified across the Primary Markets; (b) make stable monthly cash distributions; and (c) enhance earnings from the Properties through active asset management, which may further include leasing non-stabilized properties, increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions, best-in-class property management and economies of scale.

The Fund will provide disclosure for each of the Properties acquired by the Holding LP in the Fund's interim and annual MD&A. The Fund anticipates such information will include, for each Property, details on the location, size, age, suite distribution, occupancy, purchase price and purchase date. Disclosure will also include a summary of the results of any third party appraisal. The Fund will cause the Holding LP to obtain or update independent third party property appraisals on an annual basis with respect to the Properties.

To the extent the acquisition of a Property constitutes a "material change" or "significant acquisition" under NI 51-102, the Fund will file a press release, material change report and/or business acquisition report, as applicable, for the acquisition containing the required disclosure.

4.5 Management and Leasing of the Properties

The Manager believes that maximizing revenue and careful scrutiny of capital expenditures is the key to driving value when investing in real estate. The Manager intends to enhance the value of the Properties through an active asset management strategy, which includes plans to stabilize certain Properties and create property-specific business plans to improve NOI. Such asset management plans will focus on increasing rental rates to market rates, increasing ancillary revenue, reducing Operating Expenses through active asset management, utilizing reputable best-in-class property managers and economies of scale. The Manager believes active management, including reviewing leasing performance, is key to driving revenue as it allows the Manager to be intimately aware of resident needs. This allows the Manager to anticipate future revenue opportunities and mitigate potential leasing risks. The Manager intends to improve resident relationships through customer service initiatives and new service offerings. The Manager believes it is aligned, through the indirect investment in the Fund by its Affiliate Starlight Group, to ensure that capital will not be spent unnecessarily and only where it is beneficial to the long-term value of the investment.

In order to allow the Manager to focus on value creation opportunities that will have the most significant impact on investor returns, the Manager will engage reputable, third party property managers for the ongoing day-to-day management of the Properties. The Manager intends to structure third party property management agreements such that the applicable property manager will be rewarded for increases in the operating income achieved through the management of a Property, thereby aligning the interests of the applicable property manager with that of the Fund. The Manager expects the fees payable to third party property managers will include a property management fee of between 3.25% and 3.75% of the gross revenue from the Properties (inclusive of a 0.25% bonus and before GST).

4.6 Operating Expenses of the Fund

Pursuant to the Management Agreement, the Fund and the Holding LP will pay for all ordinary expenses incurred in connection with its operation and administration. It is expected these expenses will include, without limitation: (i) mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications; (ii) any reasonable out-of-pocket expenses incurred by the Manager or its agents and paid to third parties in connection with their on-going obligations to the Fund; (iii) travel expenses related to performance of the Manager's obligations in connection with the Management Agreement; (iv) expenses relating to active asset management; (v) regulatory filing fees; (vi) administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund; (vii) investor relations; (viii) costs and expenses arising as a result of complying with all Applicable Laws; (ix) regulations and policies; (x) insurance expenses; (xi) travel expenses; (xii) extraordinary expenses the Fund may incur; and (xiii) any expenditures incurred upon the termination of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager (and any of its officers, directors,

employees, consultants or agents) or the Trustees or the executive officers of the Fund are entitled to an indemnity from the Fund. The aggregate annual amount of these fees and expenses is estimated to be approximately \$350,000.

In addition, because the Fund will indirectly own and operate physical real estate assets, the Fund will be indirectly responsible for the payment of ordinary course Operating Expenses relating to real estate, which expenses are customary for real estate related entities such as insurance, utilities, repairs and maintenance, advertising and general and administrative expenses. Certain of the Operating Expenses will be payable to the Manager in connection with its management of the Fund.

4.7 The Initial Portfolio

Overview

Following the completion of the Offering, the Fund intends to indirectly acquire the Initial Portfolio, comprising 495 multi-family suites in five Properties located in Nanaimo, Langford, and Vernon, British Columbia (“BC”). The Properties are institutional quality, in desirable geographic locations, well-tenanted and indicative of the types of properties the Fund intends to continue to acquire as part of its business strategy. The Initial Portfolio has a Capitalization Rate of approximately 4.06% based on the Manager’s calculation of NOI.

The following table highlights certain information about the Initial Properties:



733 Goldstream Avenue, Langford, BC



6035 Linley Valley Drive & 4800 Uplands Drive, Nanaimo, BC



2699 Peatt Road, Langford, BC



3400 Centennial Drive, Vernon, BC



1803 31A Street, Vernon, BC

Property	Year Completed	Fund Ownership Interest	Total Suites	Rentable Area (Sq. Ft.)	Average Suite Size (Sq. Ft.)	Land Area (acres)	Purchase Price ⁽¹⁾	Appraised Value	Purchase Price per Suite	Purchase Price per Sq. Ft.	Occupancy	Average Monthly In Place Rent Per Sq. Ft.	Average Monthly In Place Rent Per Suite
733 Goldstream Avenue	2018	100%	60	41,618	694	0.86	\$24,900,000	\$25,600,000	\$415,000	\$598	97% ⁽²⁾	\$2.42 ⁽²⁾	\$1,678 ⁽²⁾
6035 Linley Valley Drive & 4800 Uplands Drive	2020	100%	251	208,906	832	6.90	\$105,100,000	\$110,500,000	\$418,750	\$503	99% ⁽²⁾	\$2.36 ⁽²⁾	\$1,963 ⁽²⁾
2699 Peatt Road	2018	100%	81	55,375	684	0.74	\$32,900,000	\$33,500,000	\$406,173	\$594	100% ⁽³⁾	\$2.46 ⁽³⁾	\$1,679 ⁽³⁾
3400 Centennial Drive	2019	100%	60	47,609	793	1.20	\$18,250,000	\$19,100,000	\$304,167	\$383	98% ⁽³⁾	\$1.87 ⁽³⁾	\$1,485 ⁽³⁾
1803 31A Street	2019	100%	43	36,017	838	0.54	\$12,550,000	\$13,200,000	\$291,860	\$348	98% ⁽³⁾	\$1.82 ⁽³⁾	\$1,527 ⁽³⁾
Totals		100%	495	389,525	786	10.24	\$193,700,000	\$201,900,000	\$406,636	\$513	99%	\$2.19	\$1,666

Notes:

- (1) The Initial Portfolio assets are being indirectly acquired by the Fund from an entity managed and partially owned by an Affiliate of the Manager. The aggregate purchase price for the assets is \$8,200,000 less than aggregate appraised value of the Properties.
- (2) As of October 1, 2021.
- (3) As of November 1, 2021.

The five Initial Properties are newly constructed, well-located and well-maintained multi-family properties with a wide array of amenities to attract and retain residents.

Langford, BC

Located in the Greater Victoria Region (“GVR”), the City of Langford has the fastest growing population in BC. The municipality of Langford has a population of approximately 35,000 residents, which is expected to increase by 62% by the year 2038. Langford’s population growth has been driven by young professionals, families and by Langford’s proximity to Downtown Victoria (12.3 kilometers). This demographic (population aged 15-54) now comprises approximately 57% of Langford’s population. Due to the decreasing land and development space in Victoria, Saanich, and Esquimalt, Langford has become an attractive location to find opportunities in commercial and retail space. Langford is known for its stunning views of the West Shore, Victoria, Juan de Fuca Strait and the Olympic Mountains. The GVR is home to the Government of BC, University of Victoria and Canada’s Pacific Coast Naval Base, which are among its largest employers and are known for providing stable and high-quality employment.

The Langford, BC Multi-Family Market

The City of Langford is located in the GVR, where Victoria's total employment has increased by 11.0% over the last five years and is expected to experience job growth for the next five years. Victoria has rebounded strongly from COVID-19 with year-over-year job growth of 2.1%. Effective rents have grown 4.4% from 2019 to 2020 due to the high demand for rentals. Victoria also has a household median income of \$70,197, and the "Langford/VW Royal/Colwood/Sooke" region has a median household income of \$79,878. Victoria multi-family rent growth averaged 4.43% between the periods of 2017-2020 and is forecasted to end 2021 with significant rent increases. Specifically, in the GVR of "Langford/VW Royal/Colwood/Sooke" the multi-family rent growth averaged 5.74% per annum between the periods of 2017-2020.

The Victoria multi-family market consists of approximately 28,206 suites. In the fourth quarter of 2020, occupancy was extremely strong at 97.80% which is lower than in 2019 when it was at 99.0% due to COVID-19, however there is limited new supply which will further increase rents and reduce vacancy going forward.

Nanaimo, BC

According to the SOE Report, Nanaimo's GDP has grown by 10% since 2010 accounting for approximately 1.6% of BC's GDP on a population of just over 100,000 people. Growth is primarily due to the health care, real estate rental, transportation, warehousing and education sector. According to the SOE Report, Nanaimo's unemployment rate doubled primarily due to business closures stemming from COVID-19. Since September 2020 the Victoria region regained significant employment resulting in an unemployment rate of 4.4% in September 2021. Located near Vancouver, Nanaimo is known for its stunning waterfront and spectacular ocean views with a backdrop of Mount Benson which rises 3,300 feet. Nanaimo is home to one of the largest shorelines in Canada that provides access to both wilderness beauty and business centres.

The Nanaimo, BC Multi-Family Market

Nanaimo has rebounded strongly from COVID-19. In 2020, effective rents have grown 7.0% (8.6% growth for two-bedroom suites) and vacancy has dropped to 1.0% due to the high demand for rentals. Nanaimo also has a household median income of \$71,711, which represents a 15.7% increase in the last five years.

The Nanaimo apartment market consists of approximately 4,132 suites. In the fourth quarter of 2020, occupancy was 99.0% which is higher than in 2019 when it was at 98.1%. There is limited new supply expected soon which will further increase rents.

Vernon, BC

Located in the Okanagan Valley, Vernon serves as the largest municipality in the Northern Okanagan Region, with a population of over 40,000 residents serving a regional population in excess of 100,000 residents. The majority of the population of Vernon falls into the 20-64 age range with this demographic representing 56% of residents. 91% of all Vernon residents have a high school diploma or higher education. Vernon's economy is driven largely by healthcare as it serves as the regional health authority of BC's Interior Region. The second to largest economic driver in Vernon is the hospitality and tourism industry; tourists are drawn in by Vernon's location at the northern extremity of Okanagan Lake and benefits from the views of the surrounding mountain vistas.

The Vernon, BC Multi-Family Market

The City of Vernon is expected to grow by 18% over the next 25 years. Vernon has a limited apartment supply, with only 1,758 suites to service its population of over 40,000 residents. The effect of the supply shortage has seen Vernon's average rent per suite increased by 24% from 2017-2020. Vernon's market vacancy rate was strong at 1.0% in the first quarter of 2021.

Description of the Initial Portfolio – 733 Goldstream Avenue



733 Goldstream Avenue was recently completed in 2018 and is located approximately 12.6 kilometers west of downtown Victoria, BC. The Property provides convenient access to Goldstream Provincial Park, Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 0.86-acre site, 733 Goldstream Avenue comprises 60 suites in one mid-rise building.

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom.....	625	40
2 Bedrooms.....	830	20
Average/Total	694	60

The 60 total suites that comprise the Property are constructed on a total rentable area of 41,618 square feet and consist of one and two-bedroom suites. The Property contains 60 total parking spaces, consisting entirely of underground spaces.

As of October 1, 2021, 733 Goldstream Avenue was 97% occupied and produced an AMR in the amount of \$2.42 per square foot, based on the monthly in-place rent roll of all occupied suites. The in-place rents at 733 Goldstream Avenue have lagged market rents, with an average spread of approximately \$267 per month to market rents.

733 Goldstream Avenue is currently managed by Devon Properties Ltd. Following the acquisition of the Property it is the Manager's intention to continue having the Property managed by Devon Properties Ltd., a boutique property management company with operations focused in BC.

Description of the Initial Portfolio – 6035 Linley Valley Drive & 4800 Uplands Drive



6035 Linley Valley Drive & 4800 Uplands Drive was completed in 2020 and is located approximately 86.6 kilometers west of downtown Vancouver, BC. The Property provides convenient access to the largest estuary on Vancouver Island, the Nanaimo River estuary. Built on a 6.90-acre site, 6035 Linley Valley Drive & 4800 Uplands Drive comprises 251 suites across three mid-rise buildings.

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom.....	619	67
2 Bedrooms	910	184
Average/Total	832	251

The 251 total suites that comprise the Property are constructed on a total rentable area of 208,906 square feet and consist of one and two-bedroom suites. The Property contains 333 total parking spaces, consisting of 21 surface spaces and 312 underground spaces.

6035 Linley Valley Drive & 4800 Uplands Drive offers unique, best in-class amenities that differentiate it from its competitors. Amenities include a workout facility and wellness centre, storage lockers, indoor bike storage, walking paths, barbeque patio area, children play space and electric vehicle charging station.

As of October 1, 2021, 6035 Linley Valley Drive & 4800 Uplands Drive was 99% occupied and produced an AMR in the amount of \$2.36 per square foot, based on the monthly in-place rent roll of all occupied suites.

6035 Linley Valley Drive & 4800 Uplands Drive is currently managed by Devon Properties Ltd. Following the acquisition of the Property it is the Manager's intention to continue having the Property managed by Devon Properties Ltd., a boutique property management company with operations focused in BC.

Description of the Initial Portfolio – 2699 Peatt Road



2699 Peatt Road was recently completed in 2018 and is located approximately 13.8 kilometers west of downtown Victoria, BC. The Langford Property 2 provides convenient access to Goldstream Provincial Park, Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 0.74-acre site, 2699 Peatt Road comprises 81 suites in one low-rise building.

Suite Type	Sq. Ft. Average	Number of Suites
Bachelor	260	3
1 Bedroom.....	592	38
2 Bedrooms	802	40
Average/Total	684	81

The 81 total suites that comprise the Langford Property 2 are constructed on a total rentable area of 55,375 square feet and consist of bachelor, one and two-bedroom suites. The Langford Property 2 contains 81 total parking spaces, consisting of 71 underground and 10 above ground spaces.

As of November 1, 2021, 2699 Peatt Road was 100% occupied and produced an AMR in the amount of \$2.46 per square foot, based on the monthly in-place rent roll of all occupied suites.

Following the acquisition of the Langford Property 2 it is the Manager's intention to have the Langford Property 2 managed by Devon Properties Ltd., a boutique property management company with operations in BC.

Description of the Initial Portfolio – 3400 Centennial Drive



3400 Centennial Drive was recently completed in 2019 and is located in Vernon, BC, approximately 50 kilometers north of Kelowna, BC. The Vernon Property provides convenient access to Kalamaka Lake Provincial Park, Kal Beach, Kin Beach and Silver Star Provincial Park. Built on a 1.20-acre site, 3400 Centennial Drive comprises 60 suites in one mid-rise building

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom	628	18
2 Bedrooms	811	32
3 Bedrooms	1,042	10
Average/Total	793	60

The 60 total suites that comprise the Vernon Property are constructed on a total rentable area of 47,609 square feet and consist of one, two and three-bedroom suites. The Vernon Property contains 63 total parking spaces, consisting of 35 underground and 28 above ground spaces.

As of November 1, 2021, 3400 Centennial Drive was 98% occupied and produced an AMR in the amount of \$1.87 per square foot, based on the monthly in-place rent roll of all occupied suites.

Following the acquisition of the Vernon Property it is the Manager's intention to have the Vernon Property managed by Devon Properties Ltd., a boutique property management company with operations in BC.

Description of the Initial Portfolio – 1803 31A Street



1803 31A Street was recently completed in 2019 and is located in Vernon, BC, approximately 50 kilometers north of Kelowna, BC. The Vernon Property 2 provides convenient access to Kalamaka Lake Provincial Park, Kal Beach, Kin Beach and Silver Star Provincial Park. Built on a 0.54-acre site, 1803 31A Street comprises 43 suites in one mid-rise building.

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom	568	11
2 Bedrooms	857	20
3 Bedrooms	1,054	12
Average/Total	838	43

The 43 total suites that comprise the Vernon Property 2 are constructed on a total rentable area of 36,017 square feet and consist of one, two and three-bedroom suites. The Vernon Property 2 contains 49 total parking spaces, consisting of 22 underground and 27 above ground spaces.

As of November 1, 2021, 1803 31A Street was 98% occupied and produced an AMR in the amount of \$1.82 per square foot, based on the monthly in-place rent roll of all occupied suites.

Following the acquisition of the Vernon Property 2 it is the Manager's intention to have the Vernon Property 2 managed by Devon Properties Ltd., a boutique property management company with operations in BC.

Acquisition Agreements

The Holding LP will, on the Closing Date, acquire a 100% interest in each of the Nanaimo Property and the Langford Property from an entity managed and partially owned by an Affiliate of Starlight Group through an assignment of the Nanaimo and Langford Properties Purchase Agreement, and will acquire a 100% interest in each of the Langford Property 2, Vernon Property and Vernon Property 2 pursuant to the Langford Property 2 and Vernon Properties Purchase Agreement. The Fund will generally use the proceeds of the Offering to satisfy the purchase price for its indirect acquisition (through the Holding LP) of interests in the Initial Portfolio on the Closing Date or shortly thereafter for a total purchase price of approximately \$193,700,000 pursuant to the agreements described below.

The following is a summary of certain material provisions of each of the Nanaimo and Langford Properties Purchase Agreement and the Langford Property 2 and Vernon Properties Purchase Agreement. This summary does not purport to be complete and reference should be made to the agreements themselves, copies of which will be made available promptly and in any event within seven days after their execution at www.sedar.com.

Nanaimo and Langford Properties Purchase Agreement

Pursuant to the purchase agreement dated as of November 23, 2021, as may be amended from time to time (the “**Nanaimo and Langford Properties Purchase Agreement**”), Starlight Acquisitions Ltd., an Affiliate of the Manager, agreed to purchase the Nanaimo Property and the Langford Property from Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd. and Galaxy Value Add Properties LP for the purchase price of \$130,000,000. The Nanaimo and Langford Properties Purchase Agreement contains customary closing conditions, covenants and representations and warranties, including representations and warranties from Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd. and Galaxy Value Add Properties LP in relation to, among other things, power and authority; execution, delivery and performance; no violation of constating documents; no notice of violation of applicable federal, provincial or local laws, rules or regulations; no notice of litigation or other proceeding; and no other contract or right to purchase, lease or otherwise acquire the Nanaimo Property and the Langford Property currently in effect. The representations and warranties in the Nanaimo and Langford Properties Purchase Agreement will survive the closing date of the acquisition of the Nanaimo Property and the Langford Property for 12 months.

Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd. and Galaxy Value Add Properties LP, as sellers, made no representation with respect to this Prospectus. Purchasers of Units under this Prospectus will not have a direct statutory right of action for misrepresentation against Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd. or Galaxy Value Add Properties LP. The sole remedy against Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd. and Galaxy Value Add Properties LP for a misrepresentation in this Prospectus in respect of the Nanaimo Property and the Langford Property will be through the Fund or its Subsidiaries (as assignee of Starlight Acquisitions Ltd.) bringing an action for a breach by Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd. or Galaxy Value Add Properties LP of the representations and warranties in the Nanaimo and Langford Properties Purchase Agreement. The sellers’ liability under the Nanaimo and Langford Properties Purchase Agreement for breach of representations and warranties is capped at \$3,000,000.

Subject to the satisfaction or waiver of conditions precedent, the purchase of the Nanaimo Property and the Langford Property is scheduled to close on or about February 23, 2022. Pursuant to the Nanaimo and Langford Properties Purchase Agreement, Starlight Acquisitions Ltd. paid an initial deposit of \$1,000,000, and an additional deposit of \$2,000,000 in connection with the waiver of certain closing conditions, which will be applied to the purchase price at closing.

Langford Property 2 and Vernon Properties Purchase Agreement

Pursuant to the purchase agreement dated as of December 20, 2021, as amended as of January 10, 2022, as it may be further amended from time to time (the “**Langford Property 2 and Vernon Properties Purchase Agreement**”), Starlight Acquisitions Ltd., an Affiliate of the Manager, agreed to purchase the Langford Property 2, Vernon Property and Vernon Property 2 from the Langford Property 2 and Vernon Properties Vendors for the aggregate purchase price of \$63,700,000. Pursuant to a partial assignment agreement dated as of January 10, 2022, Starlight Acquisitions Ltd. assigned its rights to acquire the Langford Property 2, Vernon Property and Vernon Property 2 to the Holding LP. The

Langford Property 2 and Vernon Properties Purchase Agreement contains customary closing conditions, covenants and representations and warranties, including representations and warranties from the Langford Property 2 and Vernon Properties Vendors in relation to, among other things, power and authority; execution, delivery and performance; no violation of constating documents; no notice of violation of applicable federal, provincial or local laws, rules or regulations; no notice of litigation or other proceeding; and no other contract or right to purchase, lease or otherwise acquire the Langford Property 2, Vernon Property and Vernon Property 2 currently in effect. The representations and warranties in the Langford Property 2 and Vernon Properties Purchase Agreement will survive the closing date of the acquisition of the Langford Property 2, Vernon Property and Vernon Property 2 for six months.

The Langford Property 2 and Vernon Properties Vendors, as sellers, made no representation with respect to this Prospectus. Purchasers of Units under this Prospectus will not have a direct statutory right of action for misrepresentation against the Langford Property 2 and Vernon Properties Vendors. The sole remedy against the Langford Property 2 and Vernon Properties Vendors for a misrepresentation in this Prospectus in respect of the Langford Property 2, Vernon Property and Vernon Property 2 will be through the Fund or its Subsidiaries (as assignee of Starlight Acquisitions Ltd.) bringing an action for a breach by the Langford Property 2 and Vernon Properties Vendors of the representations and warranties in the Langford Property 2 and Vernon Properties Purchase Agreement.

Subject to the satisfaction or waiver of conditions precedent, the purchase of the Langford Property 2, Vernon Property and Vernon Property 2 is scheduled to close on or about February 24, 2022. Pursuant to the Langford Property 2 and Vernon Properties Purchase Agreement, Starlight Acquisitions Ltd. paid an initial deposit of \$1,000,000, and an additional deposit of \$1,000,000 in connection with the waiver of certain closing conditions, which will be applied to the purchase price at closing.

Residential Tenancy Legislation

In BC, landlords are restricted from increasing rents payable in respect of existing residential tenancies within 12 months of the date on which the tenant's rent was first payable for the rental suite or a previous rental increase, and any such rental increases require three months' prior notice to the tenants. The Residential Tenancy Act, S.B.C. 2002, c. 78 (the "**BC RTA**"), restricts the ability of a landlord to increase rents above a prescribed amount. Effective September 26, 2018, for rent increases with an effective date on or after January 1, 2019, a landlord may not impose a rent increase that is greater than the percentage amount equal to the inflation rate. The inflation rate is the 12-month average percent change in the all-items Consumer Price Index for BC that is most recently available for the calendar year in which the rent increase takes effect. Unless tenants agree in writing, a landlord may only impose a rent increase greater than the prescribed amount by an order granted following an application (fees are between \$300 - \$600) made pursuant to the applicable legislation, followed by notice to all tenants and a hearing. Grounds for a rent increase exceeding the prescribed amount include situations where: (a) the landlord has incurred a financial loss from an extraordinary increase in the operating expenses of the residential property; (b) the landlord, acting reasonably, has incurred a financial loss for the financing costs of purchasing the residential property, if the financing costs could not have been foreseen under reasonable circumstances; and (c) the landlord, as a tenant, has received an additional rent increase for the same rental suite. Effective July 2021, a landlord may also apply to the Residential Tenancy Branch (the "**Branch**") to obtain a rent increase greater than the prescribed amount as a result of a capital expenditure that was incurred in the 18-month period preceding the date on which the landlord makes their application to the Branch. As a result, the Fund may, in the future, incur capital or other expenditures which may not be fully recoverable from tenants, unless such an application was successfully made.

Effective December 11, 2017, in BC, a landlord can no longer apply for a rent increase above the prescribed amount on the basis that the rent is significantly lower than other similar rental suites in the same geographic area. Effective also on December 11, 2017, a landlord can no longer require a tenant to move out on the date the tenancy agreement ends unless the landlord is an individual and that landlord or a close family member of that landlord intends in good faith at the time of entering into the tenancy agreement to occupy the rental suite at the end of the term. Unless the landlord and the tenant agree to another fixed term, the tenancy will automatically continue as a month-to-month tenancy until one party serves notice in accordance with the legislation or both parties agree to end the tenancy. The effect of this change is that a landlord can no longer increase rent beyond the prescribed amount between tenancy agreements with the same tenant. The maximum annual allowable rent increase for 2021 was frozen at 0% and set at 1.5% for 2022.

Since May 17, 2018, in BC, a number of amendments were made to the BC RTA. A landlord must now give four months' notice to end a tenancy for the purpose of: demolition; conversion of the rental property to strata lots under the Strata Property Act; conversion of the rental property to a housing cooperative under the Cooperative Association

Act; conversion of the rental suite for use by a caretaker, manager, or superintendent of the rental property; or conversion of the rental property to a non-residential use. The previous requirement was two months' notice. If the tenancy is for a fixed term, the effective date of the notice must not be earlier than the end of the fixed term. Before issuing the notice to end tenancy, the law also requires the landlord to have all permits and approvals required by law to do the work. Tenants have 30 days to dispute the notice and are entitled to receive one month's rent compensation. Previously, a landlord was also able to issue four months' notice to end tenancy for the purpose of conducting significant repairs or renovations to the rental suite. As of July 1, 2021, this notice opportunity was extinguished. Now, if a landlord wishes to end a tenancy for this reason, they must apply to the Branch for permission first, which will be determined at a hearing with the tenants. If the landlord is successful, their tenant will receive one month's rent compensation. In addition, tenants residing in a residential property of five or more rental suites are entitled to the right of first refusal to rent the newly renovated rental suite at the new rent established by the landlord. Tenants who exercise their right of first refusal are entitled to receive 45 days' notice from their landlord identifying when the rental suite will be ready for rent. A landlord must still give tenants two months' notice to end a tenancy when the landlord or their close family member intends in good faith to occupy the rental suite, or when the landlord has sold the rental suite and the purchaser makes a written request to the landlord to end the tenancy for the purpose of their occupation of the rental suite. In either case, the notice must not end the tenancy before the fixed term and the tenant is entitled to one month's rent compensation.

Significant amendments were also made to the RTA in respect of various penalties against landlords who fail to give their tenants the required 45 days' notice under a right of first refusal, or who fail to use the rental suite for the stated purpose on a two month or fourth month notice. If a landlord fails to use the rental suite for their stated purpose within a reasonable period of time after the eviction, or if the landlord fails to use the property for the stated purpose for at least six months after the eviction, or fails to issue the tenant the required 45 days' notice under a right of first refusal, the tenant is entitled to 12 month's rent as a penalty against the landlord unless the Branch excuses the landlord from payment due to extenuating circumstances.

Legislation Related to COVID-19

The real estate market has been affected by various measures taken by Canadian federal and provincial governments with regard to the prevention of further spread of COVID-19 and to help individuals and businesses affected by the crisis. Some of the legislative initiatives announced include:

The province of BC has passed legislation to freeze rent increases until December 31, 2021, except for approved above guideline increases.

Rental tribunal hearings were rescheduled, suspended or stopped in most provinces at the onset of the health emergency. At this time, most rental tribunal hearings have reopened or have converted to online or telephone hearings.

Financing of the Initial Portfolio

The Langford Property

In respect of the acquisition of the Langford Property, the Fund will assume the in-place first Mortgage Loan on the Property, however, the vendor of the Langford Property will pay-down the interest rate to 2.00%. The term of the loan matures on December 1, 2028. The loan is amortized over 35 years (initially put in place in November 2018) and following the rate pay-down, the monthly payment is expected to be approximately \$42,303. In addition to the assumption of the first mortgage, the Fund expects to utilize an interest-only second mortgage at an expected rate of approximately 2.50%. As of the Closing Date, the aggregate loan-to-value on the Langford Property is expected to be 75%.

The Nanaimo Property

In respect of the acquisition of the Nanaimo Property, the Fund expects to finance a portion of the purchase price with a CMHC-insured first Mortgage Loan. The loan is expected to be for a term of five years. The loan is expected to be amortized over 40 years at an expected interest rate of approximately 2.00%. The Fund expects to utilize an interest-only second mortgage at an expected rate of approximately 2.50%. As of the Closing Date, the aggregate loan-to-value on the Nanaimo Property is expected to be 75%.

The Langford Property 2

In respect of the acquisition of the Langford Property 2, the Fund will assume the in-place first Mortgage Loan on the Property. The term of the loan matures on April 1, 2025. The loan is amortized over 30 years (initially put in place in March 2018) with an interest rate of approximately 3.91% resulting in a monthly payment of approximately \$72,918. The Fund expects to utilize an interest-only second mortgage at an expected rate of approximately 2.50%. As of the Closing Date, the aggregate loan-to-value on the Langford Property 2 is expected to be 75%.

The Vernon Property

In respect of the acquisition of the Vernon Property, the Fund will assume the in-place first Mortgage Loan on the Property. The term of the loan matures on August 1, 2029. The loan is amortized over 30 years (initially put in place in July 2019) with an interest rate of approximately 3.34% resulting in a monthly payment of approximately \$42,704. The Fund expects to utilize an interest-only second mortgage at an expected rate of approximately 2.50%. As of the Closing Date, the aggregate loan-to-value on the Vernon Property is expected to be 75%.

The Vernon Property 2

In respect of the acquisition of the Vernon Property 2, the Fund will assume the in-place first Mortgage Loan on the Property. The term of the loan matures on August 1, 2030. The loan is amortized over 30 years (initially put in place in July 2020) with an interest rate of approximately 2.35% resulting in a monthly payment of approximately \$27,547. The Fund expects to utilize an interest-only second mortgage at an expected rate of approximately 2.50%. As of the Closing Date, the aggregate loan-to-value on the Vernon Property 2 is expected to be 75%.

Building Condition Assessments

Building condition assessment reports (“**BCA Reports**”) were prepared for each Initial Property by an independent consulting service for the purposes of ascertaining the overall condition of such Properties and the continued operation thereof, recommending any repairs or corrective actions and verifying compliance with governing legislation. The BCA Reports did not recommend any repairs or corrective actions for either Initial Property. The reports were prepared in accordance with applicable, generally accepted assessment practices and in accordance with ASTM Designation: E 2018-15 Standard Guideline for Property Assessments: Baseline Condition Assessment Process.

The Langford Property

The BCA Report for the Langford Property was completed on November 8, 2021. The report states that there are no capital expenditures required in the investment horizon.

The Nanaimo Property

The BCA Report for the Nanaimo Property was completed on November 8, 2021. The report states that there are no capital expenditures required in the investment horizon.

The Langford Property 2

The BCA Report for the Langford Property 2 was completed on January 7, 2022. The report states that there are no capital expenditures required in the investment horizon.

The Vernon Property

The BCA Report for the Vernon Property was completed on January 7, 2022. The report states that there are no capital expenditures required in the investment horizon.

The Vernon Property 2

The BCA Report for the Langford Property 2 was completed on January 7, 2022. The report states that there are no capital expenditures required in the investment horizon.

Environmental Site Assessments

Each of the Initial Properties has been the subject of a Phase I environmental site assessment report prepared by an independent environmental consultant. The report for the Langford Property was issued on November 8, 2021, the report for the Nanaimo Property was issued on November 8, 2021, the report for the Langford Property 2 was issued on January 7, 2022, the report for the Vernon Property was issued on January 7, 2022 and the report for the 31A Property was issued on January 7, 2022. The purpose of these Phase I environmental site assessment reports was to identify any recognized environmental conditions associated with the Initial Properties. The reports were prepared in general accordance with the guidelines set forth in the BC Contaminated Sites Regulation.

Each report indicated that, in accordance with the Canadian Standards Association (CSA), there is no evidence of recognized environmental conditions, controlled recognized environmental conditions, historical recognized environmental conditions or *de minimis* conditions associated with either of the Initial Properties. The reports state that no further environmental studies are recommended on either of the Initial Properties at this time.

The Manager is not aware of any non-compliance with environmental laws at any of the Properties comprising the Initial Portfolio that would have a material adverse effect on the Fund. The Manager is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with either of the Initial Properties that would materially adversely affect the Fund or the values of the Initial Portfolio, taken as a whole, as determined pursuant to the Appraisals discussed below.

Independent Appraisals of the Initial Portfolio

The Manager retained the Appraiser to provide an independent appraisal of the fair market value of each of the Initial Properties (collectively, the “**Appraisals**”). The Appraiser was not given any limiting instructions. The Appraisals in respect of the Nanaimo Property and the Langford Property each have an effective date of December 1, 2021 and the Appraisals in respect of the Langford Property 2, the Vernon Property and the Vernon Property 2 each have an effective date of December 31, 2021. A copy of each Appraisal is available on SEDAR at www.sedar.com.

The Appraisals were prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics and Standards of Professional Appraisal Practice, each as adopted by the Appraisal Institute of Canada. The Appraisal Institute of Canada defines “market value” as used in the Appraisal as “the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus”. Implicit in this definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their own best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale (the foregoing collectively referred to as, the “**Canadian Appraisal Standards**”).

Based on the Appraisals, the estimated market value of each of the Initial Properties is as follows:

Property	Estimated Value (\$)
The Langford Property	\$25,600,000
The Nanaimo Property	\$110,500,000
The Langford Property 2	\$33,500,000
The Vernon Property	\$19,100,000
The Vernon Property 2	\$13,200,000
Total	\$201,900,000

Based on the agreed purchase price to be paid for the Initial Portfolio of \$193,700,000 the aggregate valuation set out in the Appraisals of \$201,900,000 is \$8,200,000 greater than the aggregate purchase price to be paid for such Properties.

The estimated market value of each of the Properties comprising the Initial Portfolio was determined by the Appraiser using the income approach (direct capitalization method) and the direct comparison approach. These are traditional valuation methods that are used widely by investors when acquiring properties of this nature. The Appraisals

state that the appraisals and analyses were performed in accordance with Canadian Appraisal Standards. The Appraisals are subject to a number of assumptions and limiting conditions. In particular, in appraising the Properties comprising the Initial Portfolio, the Appraiser assumed, among other things, that: title to the Properties comprising the Initial Portfolio was clear and marketable and that there were no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value; existing improvements on the Properties comprising the Initial Portfolio conform to applicable local, provincial, and national federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices; and the Properties comprising the Initial Portfolio were not affected by any hazardous materials that may be present or near the Properties comprising the Initial Portfolio. The Appraiser did not conduct any interior inspections of the subject assets and only conducted a sample of exterior inspections of the subject assets in preparing its Appraisal.

In determining the approximate market value of the Properties comprising the Initial Portfolio, the Appraiser relied on operating and financial data provided by the Manager, comprised of rent rolls, operating income and operating income and expense budgets. The Appraiser further assumed that all factual data furnished by the Manager, the current owner of the Properties comprising the Initial Portfolio, the owner's representative, or persons designated by the Manager or the owner to supply such data was accurate and correct, unless otherwise specifically noted in the respective Appraisal. The Appraiser gave appropriate consideration to a forecast of NOI and cash flow for each Property based on contract and market rental rates, growth levels, vacancy rates, tenant roll-overs and operating expenses.

In general, appraisals such as the Appraisals represent only the analysis and opinion of qualified experts as of the effective date of such appraisal and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised value of the Initial Portfolio is correct as of the date of the Prospectus or that such valuations actually reflect an amount that would be realized upon a current or future sale of any of the Properties or that any projections included in the Appraisals will be attainable. In addition, the Appraisals in respect of the Nanaimo Property and the Langford Property each have an effective date of December 1, 2021 and the Appraisals in respect of the Langford Property 2, the Vernon Property and the Vernon Property 2 each have an effective date of December 31, 2021. As prices in the real estate market fluctuate over time in response to numerous factors, the estimate of the aggregate value of the Initial Portfolio shown on the Appraisals may be an unreliable indication of the current market value of the Properties comprising the Initial Portfolio. For example, due to the dynamic nature of the COVID-19 pandemic and given the ultimate impact of the pandemic is currently unknown and largely dependent on both the scale and longevity of the pandemic, in preparing the Appraisals, the Appraiser made certain assumptions regarding the impact and potential prolonged effect of the COVID-19 pandemic on macroeconomic conditions and the perceived impact of the COVID-19 pandemic on real estate, based only on the information available to the Appraiser as of the date of the Appraisals.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisals are based on various assumptions of future expectations and while the Appraiser's internal forecasts of NOI for the Properties comprising the Initial Portfolio are considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

The Appraisals will be filed with the securities regulatory authorities in each of the provinces of Canada, other than Québec, and investors are advised to read the Appraisals for a full description of applicable assumptions and conditions.

4.8 Additional Investment Opportunities

The Manager will continue to seek out additional investment opportunities to acquire multi-family real estate for the Fund that meet the investment criteria and target metrics set out under the heading "Investment Strategy – Investment Strategy". Any such additional acquisitions will be funded with the Net Subscription Proceeds.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

5.1 Langford Property Management's Discussion and Analysis for the three and nine months ended September 30, 2021 and 2020

The following management's discussion and analysis (the "**Langford Property MD&A**") of the carve-out financial results of the Langford Property for the three and nine months ended September 30, 2021 and 2020, should be read in conjunction with the Langford Property carve-out financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements". The Langford Property and its related assets and liabilities are currently owned by Galaxy VA 733 Goldstream Apartments Ltd. (the "**Owner**").

Basis of Presentation

The Langford Property's carve-out financial statements for the three and nine months ended September 30, 2021 with comparisons to the three and nine months ended September 30, 2020 have been prepared in accordance with IFRS and International Accounting Standard ("**IAS**") 34, Interim Financial Reporting. The Langford Property's presentation currency is Canadian dollars. Unless otherwise stated, dollar amounts expressed in this Langford Property MD&A are in thousands of Canadian dollars, except AMR information.

Business Overview, Property Profile and Strategy

The Langford Property is located approximately 12.6 kilometers west of downtown Victoria, BC. The Property provides convenient access to Goldstream Provincial Park, Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 0.86-acre site, the Langford Property comprises 60 suites in one mid-rise apartment building. The suite breakdown is as follows:

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom	625	40
2 Bedrooms	830	20
Average/Total	694 Average	60

The 60 total suites that comprise the Property are constructed on a total rentable area of 41,618 square feet. Suites consist of one and two-bedrooms. The Property contains 60 total parking spaces, consisting entirely of underground spaces.

As of October 1, 2021, the Langford Property was 97% occupied and produced an AMR of \$2.42 per square foot, based on the monthly in-place rent of all occupied suites.

The Langford Property is currently managed by Devon Properties. Following the acquisition of the Langford Property, it is the Manager's intention to have the Property continue to be managed by Devon Properties, a boutique property management company with operations in BC.

Financial and Operational Highlights

	As at September 30, 2021		As at September 30, 2020		As at December 31, 2020	
Operational Information						
Total suites		60		60		60
Economic occupancy % ⁽⁴⁾		99.7 %		99.1 %		97.9 %
Weighted average in-place rent ⁽⁵⁾	\$	1,578	\$	1,521	\$	1,523
Summary of Financial Information						
Gross Book Value ⁽¹⁾	\$	24,900	\$	23,780	\$	24,060
Indebtedness ⁽²⁾	\$	16,844	\$	12,234	\$	16,985
Indebtedness to Gross Book Value ⁽³⁾		67.6 %		51.4 %		70.6 %
	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021	
	Nine months ended September 30, 2020					
Revenue from property operations	\$	298	\$	279	\$	852
Property operating costs	\$	(48)	\$	(62)	\$	(181)
Property taxes	\$	(25)	\$	(18)	\$	(55)
Net operating income	\$	225	\$	199	\$	616
Net income and comprehensive income	\$	434	\$	82	\$	889
(1) “Gross Book Value” includes the impact of any fair value adjustment of investment property.						
(2) “Indebtedness” excludes unamortized financing costs and includes the principal amount outstanding for any mortgages payable.						
(3) Defined as Indebtedness divided by Gross Book Value.						
(4) Economic occupancy for the three months ended September 30, 2021 and 2020 and year ended December 31, 2020.						
(5) Represents the average monthly rent achieved based on the average monthly rental revenues earned divided by the average number of occupied units, as applicable during each period.						

Financial Performance

The Langford Property's financial performance for the three and nine months ended September 30, 2021 and for the three and nine months ended September 30, 2020 are summarized below:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Revenue from property operations	\$ 298	\$ 279	\$ 852	\$ 821
Property operating costs	(48)	(62)	(181)	(175)
Property taxes	(25)	(18)	(55)	(53)
Net operating income	225	199	616	593
Finance costs	(159)	(107)	(485)	(323)
Asset management fees	(13)	—	(40)	—
Fair value adjustment on investment property	381	(10)	798	725
Net income and comprehensive income	\$ 434	\$ 82	\$ 889	\$ 995

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the carve-out financial statements for the three and nine months ended September 30, 2021 and for the three and nine months ended September 30, 2020.

Results of Operations

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of certain utility expenses incurred. Other ancillary income may include, but is not limited to, amounts from forfeited deposits, late fees, short notice fees, cleaning fees, lease termination fees, application fees and pet fees. Net rental income is the only material component of total revenue from property operations, which accounts for approximately 99% thereof, with other ancillary income comprising the remaining approximate 1%.

Revenue from property operations for the three months ended September 30, 2021 was \$298 (three months ended September 30, 2020 - \$279), representing an increase of \$19 or 6.8% primarily as a result of AMR growth of 6.7% due to strong rental demand during the applicable period.

Revenue from property operations for the nine months ended September 30, 2021 was \$852 (nine months ended September 30, 2020 - \$821), representing an increase of \$31 or 3.8% primarily as a result of AMR growth of 3.7% for the same reason noted above for the three months ended September 30, 2021, partially offset by higher vacancies during the period.

Property Operating Costs

The main components of property operating costs include repairs and maintenance costs of approximately 29%, property management fees of approximately 20%, salaries and benefits of approximately 18% and utility costs of approximately 16%. Given each component of property operating costs is not individually material, such amounts have not been separately disclosed.

For the three months ended September 30, 2021 property operating costs were \$48 (three months ended September 30, 2020 - \$62), representing a decrease of \$14 or 22.0% primarily as a result of \$7 decrease in utilities expense and a \$4 decrease in property management fees.

For the nine months ended September 30, 2021, property operating costs were \$181 (nine months ended September 30, 2020 - \$175), representing an increase of \$6 or 3.2% primarily as a result of an increase in utilities expense.

The Langford Property has engaged a property management company to perform sales, administrative and maintenance functions related to the Property. Fees associated with the property management agreement are based on 3.50% of gross collections of residential and miscellaneous income from the Property. For the three and nine months ended September 30, 2021 and 2020, property management fees in the amount of \$9, \$36, \$14 and \$34, respectively, were incurred pursuant to this property management agreement.

Property Taxes

For the three months ended September 30, 2021, property taxes were \$25 (three months ended September 30, 2020 - \$18).

For the nine months ended September 30, 2021, property taxes were \$55 (nine months ended September 30, 2020 - \$53).

Net Operating Income ("NOI")

For the three months ended September 30, 2021, NOI was \$225 (three months ended September 30, 2020 - \$199) representing an increase of \$26 or 12.9% driven primarily by AMR growth and a decrease in property operating costs, partially offset by an increase in property taxes.

For the three months ended September 30, 2021, the NOI margin was 75.5% (three months ended September 30, 2020 - 71.3%), the increase is reflective of AMR growth and a decrease in property operating costs, partially offset by an increase in property taxes.

For the nine months ended September 30, 2021, NOI was \$616 (nine months ended September 30, 2020 - \$593) representing an increase of \$23 or 3.9%. The increase is due to the same reasons as noted above for the three months ended September 30, 2021.

For the nine months ended September 30, 2021, the NOI margin was 72.3% (nine months ended September 30, 2020 - 72.2%). The increase is due to the same reasons as noted above for three months ended September 30, 2021.

AMR and Occupancy

Average Monthly Rent

The following table presents AMR (in actual dollars) at the Langford Property as at September 30, 2021 and September 30, 2020:

Property	Suites	Langford Property		
		September 30, 2021 AMR	September 30, 2020 AMR	%
Langford Property	60	\$ 1,578	\$ 1,521	3.7 %

As at September 30, 2021 AMR for the Langford Property increased by 3.7% to \$1,578 (September 30, 2020 - \$1,521) which was primarily driven by strong rental demand during the applicable period.

Occupancy

The following table presents the economic occupancy of the Langford Property for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020:

Property	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Langford Property	99.7 %	99.1 %	97.1 %	98.3 %

The Langford Property's economic occupancy was 99.7% for the three months ended September 30, 2021 (three months ended September 30, 2020 - 99.1%). Occupancy remained strong at the Property, with the increase between periods primarily due to the Property's focus in 2021 on achieving higher market rents through renewals.

The Property's economic occupancy was 97.1% for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - 98.3%). The decrease in economic occupancy between periods was primarily due to higher vacancies.

Non-IFRS Measures

Funds From Operations ("FFO") / Adjusted Funds from Operations ("AFFO")

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Net income and comprehensive income	\$ 434	\$ 82	\$ 889	\$ 995
Add (deduct)				
Fair value adjustment on investment property	(381)	10	(798)	(725)
Fair value adjustment on derivative financial instruments	—	—	(3)	—
FFO	\$ 53	\$ 92	\$ 88	\$ 270
Amortization of financing costs	15	—	45	—
AFFO	\$ 68	\$ 92	\$ 133	\$ 270

Other Income and Expenses

Finance Costs

The Langford Property's finance costs for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020 are summarized below.

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Interest on mortgage and loan payable	\$ 144	\$ 107	\$ 443	\$ 323
Amortization of financing costs	15	—	45	—
Fair value adjustment on derivative financial instruments	—	—	(3)	—
Total finance costs	\$ 159	\$ 107	\$ 485	\$ 323

Interest on Mortgage and loan payable

Interest on mortgage and loan payable for the three months ended September 30, 2021 was \$144 (three months ended September 30, 2020 - \$107), representing an increase of \$37 or 34.2%. The increase in interest expense was primarily the result of an increase in loan payable from \$nil as at September 30, 2020 to \$4,811 as at September 30, 2021. The increase in interest expense was partially offset by decrease in the mortgage principal from \$12,184 as at September 30, 2020 to \$12,034 as at September 30, 2021.

Interest on mortgage and loan payable for the nine months ended September 30, 2021 was \$443 (nine months ended September 30, 2020 - \$323), representing an increase of \$120 or 37.0%. The increase in interest expense was

primarily the result of an increase in loan payable from \$nil as at September 30, 2020 to \$4,811 as at September 30, 2021. The increase in interest expense was partially offset by the decrease in the mortgage principal from \$12,184 as at September 30, 2020 to \$12,034 as at September 30, 2021.

Amortization of financing costs

Amortization of financing costs for the three months ended September 30, 2021 was \$15 (three months ended September 30, 2020 - \$nil), as no loan was drawn during three months ended September 30, 2020.

Amortization of financing costs for the nine months ended September 30, 2021 was \$45 (nine months ended September 30, 2020 - \$nil), as no loan was drawn during nine months ended September 30, 2020.

Fair value adjustment on derivative instruments

The Owner of the Property entered into an interest rate swap agreement on January 20, 2021 to exchange the variable interest rate to a fixed interest rate of 0.489% per annum for the non-revolving term credit facility with a notional amount of \$2,485. This interest rate swap agreement was effective January 29, 2021 and terminates on October 31, 2022.

The Property recorded a fair value gain on derivative financial instruments of \$nil and \$3 for the three and nine months ended September 30, 2021 (three and nine months ended September 30, 2020- \$nil and \$nil), respectively, related to the change in fair value of the interest rate swap.

Investment Property – Fair Value Adjustments

The Langford Property has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

The Langford Property recorded a fair value increase on the property of \$381 and \$798 for the three and nine months ended September 30, 2021 (three and nine months ended September 30, 2020 - a decrease of \$10 and an increase of \$725). The fair value increase is primarily related to the increase in NOI at the Property and capitalization rate compression.

Subsequent to September 30, 2021, an agreement was entered into for the sale of the Langford Property at a purchase price of \$24,900 (see “Subsequent Events”).

Capital Investments

The Property requires capital expenditures to be incurred in future periods in order to maintain the productive capacity of the Property to sustain its rental income generating potential over its useful life with such amounts estimated to be \$250 per suite per annum. In accordance with IFRS, the Property capitalizes all capital improvement expenditures which enhance the service potential of the Property and extend the useful life of the asset. These amounts may differ each period due to the seasonality and the cyclical nature of such costs and are estimated based on a combination of third-party property condition assessment reports and management’s expertise, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party’s engineering and structural expertise as well their knowledge and experience with real estate.

Liquidity and Capital Resources

The Property expects to be able to meet all of its obligations, including property maintenance and capital improvements. Capital improvements are performed at the discretion of the Owner, as deemed in the best interest of the Property and its Owner. The Property has financing sources to fulfill its commitments.

Cash Flows

Cash flow provided by operating activities represents the primary source of liquidity to fund debt service, capital improvements, and leasing costs. The Langford Property's cash flow from operating activities is dependent upon the occupancy level of its investment property, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Langford Property's net cash flow from operating activities and liquidity. The Langford Property expects to be able to meet all of its obligations as they become due.

The following table details the changes in cash for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash provided by (used in) operating activities	\$ 179	\$ (527)	\$ 588	\$ 569
Cash (used in) provided by financing activities	(436)	578	(1,129)	(491)
Cash used in investing activities	(19)	(290)	(42)	(115)
Decrease in cash	(276)	(239)	(583)	(37)
Cash (bank overdraft), beginning of period	(307)	255	—	53
Cash (bank overdraft), end of period	\$ (583)	\$ 16	\$ (583)	\$ 16

Cash provided by (used in) operating activities

Cash provided by operating activities during the three months ended September 30, 2021 was \$179, which consisted primarily of NOI generated by the Property. Cash used in operating activities during the three months ended September 30, 2020 was \$527, which consisted primarily of changes in non-cash operating working capital, partially offset by NOI generated by the Property.

Cash provided by operating activities during the nine months ended September 30, 2021 was \$588, which consisted primarily of NOI generated by the property. Cash provided by operating activities during the nine months ended September 30, 2020 was \$569 and related primarily to NOI generated by the Property.

Cash (used in) provided by financing activities

Cash used in financing activities for the three months ended September 30, 2021 was \$436, which related primarily to distributions to owners and finance costs paid. Cash provided by financing activities during the three months ended September 30, 2020 was \$578, related primarily to contributions from owners, partially offset by finance costs paid.

Cash used in financing activities for the nine months ended September 30, 2021 was \$1,129, which related primarily to finance costs paid and distributions to owners, partially offset by an increase in bank overdraft. Cash used in financing activities during the nine months ended September 30, 2020 was \$491, due primarily to finance costs paid and mortgage principal repayment.

Cash used in investing activities

Cash used in investing activities for the three months ended September 30, 2021 was \$19 (three months ended September 30, 2020 - \$290), which related to capital additions to the investment property.

Cash used in investing activities for the nine months ended September 30, 2021 was \$42 (nine months ended September 30, 2020 - \$115), which related to capital additions to the investment property.

Mortgage Payable

The Langford Property is pledged as security for a mortgage entered into by the Owner. As at September 30, 2021, the Langford Property's mortgage payable was \$12,034. Interest accrues at 3.25% per annum and the mortgage renews in December 2028.

Mortgage payable as at September 30, 2021, September 30, 2020 and December 31, 2020 are summarized below:

	As at September 30, 2021	As at September 30, 2020	As at December 31, 2020
Mortgage payable	\$ 12,034	\$ 12,184	\$ 12,185

The following table sets out scheduled principal and interest payments and amounts maturing on the mortgage over each of the next four fiscal years based on the Langford Property's carve-out financial statements as at September 30, 2021:

	Principal payments	Balloon payments	Total
2021 - remainder of the year	\$ 51	\$ —	\$ 51
2022	\$ 209	\$ —	\$ 209
2023	\$ 216	\$ —	\$ 216
2024 and thereafter	\$ 224	\$ 11,334	\$ 11,558
Total	\$ 700	\$ 11,334	\$ 12,034

Loan Payable

The Property has a non-revolving term credit facility with a Canadian Chartered bank with \$4,811 and \$4,800 drawn as at September 30, 2021 and December 31, 2020, respectively. The undrawn portion of the credit facility was \$112 and \$123, respectively. The credit facility is secured by the investment property. The credit facility is subject to interest at the bank's prime rate plus 2.13%. There is an option to use banker's acceptances, which bear interest at the Canadian Dollar Offered Rate ("CDOR") plus 3.13%. The credit facility will mature in October 2022, and is therefore classified as non-current as at December 31, 2020.

Loan payable includes unamortized deferred financing costs of \$65 and \$109 as at September 30, 2021 and December 31, 2020, respectively.

Loan payable as at September 30, 2021, September 30, 2020 and December 31, 2020 are summarized below:

	As at September 30, 2021	As at September 30, 2020	As at December 31, 2020
Loan payable	\$ 4,811	\$ —	\$ 4,800
Less: unamortized financing costs	(65)	—	(109)
Total carrying value	\$ 4,746	\$ —	\$ 4,691

Commitments and Contingencies

From time to time in the normal course of business, the Langford Property may be involved in litigation and claims in relation to its investment property. There are no known claims in relation to the Property.

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies is provided in Note 2 of the carve-out financial statements of the Langford Property as at and for the three and nine months ended September 30, 2021 and 2020 and as at December

31, 2020. The preparation of carve-out financial statements in conformity with IFRS requires estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each carve-out financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

Critical Judgments and Estimates

The preparation of the Langford Property's carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties (see "Future Outlook" regarding COVID-19) that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The significant estimates used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

Accounting for Acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Property's acquisitions are generally determined to be asset purchases, as the Property does not acquire an integrated set of processes as part of the acquisition transaction.

Investment Properties

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

Financial Instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Property to its counterparties, the credit risk of the Property's counterparties relative to the Property, the estimated future cash flows and discount rates.

Leases

The Property makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Property has determined that all of its leases are operating leases.

Future Accounting Policy Changes

Future accounting policy changes are discussed in the Langford Property's carve-out financial statements for the years ended December 31, 2020 and for the periods ended September 30, 2021 and 2020 and the notes contained therein.

Future Outlook

The objective of the Langford Property is to generate stable cash flows, while maximizing the Property's value through an active asset management strategy, which includes plans to stabilize operations and to establish property-

specific business plans to improve NOI. There will be a focus on increasing rental rates through value-add initiatives to common areas, clubhouse and in-suite upgrades and the use of yield management software, increasing ancillary revenue, reducing operating expenses through active asset management, utilizing reputable best-in-class property managers and economies of scale.

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Another impact of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

Subsequent Events

Subsequent to September 30, 2021, the Owner entered into an agreement to sell the Property to the Fund for a purchase price of \$24,900. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

5.2 Langford Property Management's Discussion and Analysis for the year ended December 31, 2020, and the three months ended December 31, 2019

The following management's discussion and analysis (the "**Langford Property MD&A**") of the carve-out financial results of the Langford Property for the year ended December 31, 2020, and the three months ended December 31, 2019, should be read in conjunction with the Langford Property carve-out financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements". The Langford Property and its related assets and liabilities are currently owned by Galaxy VA 733 Goldstream Apartments Ltd. (the "**Owner**").

Basis of Presentation

The Langford Property's carve-out financial statements for the year ended December 31, 2020 and three months ended December 31, 2019, have been prepared in accordance with IFRS and IAS 34, Interim Financial Reporting. The Langford Property's presentation currency is Canadian dollars. Unless otherwise stated, dollar amounts expressed in this Langford Property MD&A are in thousands of Canadian dollars, except AMR information.

Business Overview, Property Profile and Strategy

The Langford Property is located approximately 12.6 kilometers west of downtown Victoria, BC. The Property provides convenient access to Goldstream Provincial Park, Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 0.86-acre site, the Langford Property comprises 60 suites in one mid-rise apartment building. The suite breakdown is as follows:

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom	625	40
2 Bedrooms	830	20
Average/Total	694 Average	60

The 60 total suites that comprise the Property are constructed on a total rentable area of 41,618 square feet. Suites consist of one and two-bedrooms. The Property contains 60 total parking spaces, consisting entirely of underground spaces.

As of October 1, 2021, the Langford Property was 97% occupied and produced an AMR of \$2.42 per square foot, based on the monthly in-place rent of all occupied suites.

The Langford Property is currently managed by Devon Properties. Following the acquisition of the Langford Property, it is the Manager's intention to have the Property continue to be managed by Devon Properties, a boutique property management company with operations in BC.

Financial and Operational Highlights

	As at December 31, 2020		As at December 31, 2019	
Operational Information				
Total suites		60		60
Economic occupancy % ⁽⁴⁾		97.9 %		99.1 %
Weighted average in-place rent ⁽⁵⁾	\$	1,523	\$	1,516
Summary of Financial Information				
Gross Book Value ⁽¹⁾	\$	24,060	\$	22,940
Indebtedness ⁽²⁾	\$	16,985	\$	12,380
Indebtedness to Gross Book Value ⁽³⁾		70.6 %		54.0 %
	Year ended December 31, 2020		Three months ended December 31, 2019	
Revenue from property operations	\$	1,096	\$	273
Property operating costs	\$	(229)	\$	(35)
Property taxes	\$	(71)	\$	(19)
Net Operating income	\$	796	\$	219
Net income (loss) and comprehensive income (loss)	\$	299	\$	(369)
(1) “Gross Book Value” includes the impact of any fair value adjustment of investment property.				
(2) “Indebtedness” excludes unamortized financing costs and includes the principal amount outstanding for any mortgages payable.				
(3) Defined as Indebtedness divided by Gross Book Value.				
(4) Economic occupancy for the year ended December 31, 2020 and three months ended December 31, 2019.				
(5) Represents the average monthly rent achieved based on the average monthly rental revenues earned divided by the average number of occupied units, as applicable during each period.				

Financial Performance

The Langford Property's financial performance for the year ended December 31, 2020 and for the three months ended December 31, 2019 are summarized below:

	Year ended December 31, 2020	Three months ended December 31, 2019
Revenue from property operations	\$ 1,096	\$ 273
Property operating costs	(229)	(35)
Property taxes	(71)	(19)
Net operating income	796	219
Finance costs	(469)	(108)
Asset management fees	(8)	—
Fair value adjustment on investment property	(20)	(480)
Net income (loss) and comprehensive income (loss)	\$ 299	\$ (369)

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the carve-out financial statements for the year ended December 31, 2020 and the three months ended December 31, 2019.

Results of Operations

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of certain utility expenses incurred. Other ancillary income may include, but is not limited to, amounts from forfeited deposits, late fees, short notice fees, cleaning fees, lease termination fees, application fees and pet fees. Net rental income is the only material component of total revenue from property operations, which accounts for approximately 99% thereof, with other ancillary income comprising the remaining approximate 1%.

Revenue from property operations for the year ended December 31, 2020 and three months ended December 31, 2019 was \$1,096 and \$273, respectively. Rental demand remained strong during both the periods.

Property Operating Costs

The main components of property operating costs include repairs and maintenance costs of approximately 27%, utility costs of approximately 25%, property management fees of approximately 20% and salaries and benefits of approximately 18%.

For the year ended December 31, 2020, property operating costs were \$229, which consisted primarily of property management fees, insurance expense, utilities expense, salaries and benefits and repairs and maintenance costs. For the three months ended December 31, 2019 property operating costs were \$35, which consisted of similar expenses to the year ended December 31, 2020.

The Langford Property has engaged a property management company to perform sales, administrative and maintenance functions related to the Property. Fees associated with the property management agreement are based on 3.50% of gross collections of residential and miscellaneous income from the Property. For the year ended December 31, 2020 and three months ended December 31, 2019, property management fees in the amount of \$45 and \$7, respectively, were incurred pursuant to this property management agreement.

Property Taxes

For the year ended December 31, 2020 and the three months ended December 31, 2019, property taxes were \$71 and \$19, respectively.

Net Operating Income (“NOI”)

For the year ended December 31, 2020 and the three months ended December 31, 2019, NOI was \$796 and \$219, respectively, primarily attributable to AMR strength.

For the year ended December 31, 2020 and the three months ended December 31, 2019, the NOI margin was 72.6% and 80.2%, respectively, primarily attributable to AMR strength.

AMR And Occupancy

Average Monthly Rent

The following table presents AMR (in actual dollars) at the Langford Property as at December 31, 2020 and December 31, 2019:

Property	Suites	Langford Property		%
		December 31, 2020 AMR	December 31, 2019 AMR	
Langford Property	60	\$ 1,523	\$ 1,516	0.54 %

As at December 31, 2020, AMR for the Langford Property increased by 0.54% to \$1,523 (December 31, 2019 - \$1,516) which was primarily driven by strong rental demand during the applicable period.

Occupancy

The following table presents the economic occupancy of the Langford Property for the year ended December 31, 2020 and the three months ended December 31, 2019:

Property	Year ended December 31, 2020	Three months ended December 31, 2019
Langford Property	97.9 %	99.1 %

The Langford Property's economic occupancy for the year ended December 31, 2020 and the three months ended December 31, 2019 was 97.9% and 99.1%, respectively. Higher vacancies led to a marginally lower occupancy rate for the year ended December 31, 2020.

Non-IFRS Measures

Funds From Operations ("FFO") / Adjusted Funds from Operations ("AFFO")

	Year ended December 31, 2020	Three months ended December 31, 2019
Net income (loss) and comprehensive income (loss)	\$ 299	\$ (369)
Add (deduct)		
Fair value adjustment on investment property	20	480
FFO	\$ 319	\$ 111
Amortization of financing costs	10	—
AFFO	\$ 329	\$ 111

Other Income and Expenses

Finance Costs

The Langford Property's finance costs for the year ended December 31, 2020 and three months ended December 31, 2019 are summarized below.

	Year ended December 31, 2020	Three months ended December 31, 2019
Interest on mortgage and loan payable	\$ 459	\$ 108
Amortization of financing costs	10	—
Total finance costs	\$ 469	\$ 108

Interest on Mortgage and loan payable

Interest on mortgage and loan payable for the year ended December 31, 2020 and the three months ended December 31, 2019 was \$459 and \$108, respectively.

Amortization of financing costs

Amortization of financing costs for the year ended December 31, 2020 and the three months ended December 31, 2019 was \$10 and \$nil, respectively, as no loan was drawn during the three months ended December 31, 2019.

Investment Property – Fair Value Adjustments

The Langford Property has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

For the year ended December 31, 2020, the Langford Property recorded a \$20 fair value decrease. For the three months ended December 31, 2019, the Langford Property recorded a \$480 fair value decrease.

Capital Investments

The Property requires capital expenditures to be incurred in future periods in order to maintain the productive capacity of the Property to sustain its rental income generating potential over its useful life with such amounts estimated to be \$250 per suite per annum. In accordance with IFRS, the Property capitalizes all capital improvement expenditures which enhance the service potential of the Property and extend the useful life of the asset. These amounts may differ each period due to the seasonality and the cyclical nature of such costs and are estimated based on a combination of third-party property condition assessment reports and management's expertise, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well their knowledge and experience with real estate.

Liquidity and Capital Resources

The Property expects to be able to meet all of its obligations, including property maintenance and capital improvements. Capital improvements are performed at the discretion of the Owner, as deemed in the best interest of the Property and its Owner. The Property has financing sources to fulfill its commitments.

Cash Flows

Cash flow provided by financing activities represents the primary source of liquidity to fund debt service, capital improvements, and leasing costs. The Langford Property's cash flow from operating activities is dependent upon the occupancy level of its investment property, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Langford Property's net cash flow from operating activities and liquidity. The Langford Property expects to be able to meet all of its obligations as they become due.

Cash Flows

The following table details the changes in cash for the year ended December 31, 2020 and the three months ended December 31, 2019:

	Year ended December 31, 2020	Three months ended December 31, 2019
Cash provided by operating activities	\$ 857	\$ 167
Cash provided by financing activities	230	646
Cash used in investing activities	(1,140)	(760)
(Decrease) Increase in cash	(53)	53
Cash, beginning of year / period	53	—
Cash, end of year / period	\$ —	\$ 53

Cash provided by operating activities

Cash provided by operating activities during the year ended December 31, 2020 was \$857, which consisted primarily of NOI generated from operations. Cash provided by operating activities during the three months ended December 31, 2019 was \$167, related primarily to NOI generated from operations.

Cash provided by financing activities

Cash provided by financing activities for the year ended December 31, 2020 was \$230, which consisted primarily of credit facility drawdowns of \$4,680, partially offset by distributions to owners of \$3,832. Cash provided by financing activities during the three months ended December 31, 2019 was \$646, which consisted primarily of contributions from owners of \$749.

Cash used in investing activity

Cash used in investing activity for the year ended December 31, 2020 and the three months ended December 31, 2019 was \$1,140 and \$760, respectively, which related to capital additions to the investment property.

Mortgage Payable

The Langford Property is pledged as security for a mortgage entered into by the Owner. As at December 31, 2020, the Langford Property's mortgage payable was \$12,185. Interest accrues at 3.25% per annum and the mortgage renews in December 2028.

Mortgage payable as at December 31, 2020 and December 31, 2019 are summarized below:

	As at December 31, 2020	As at December 31, 2019
Mortgage payable	\$ 12,185	\$ 12,380

The following table sets out scheduled principal and interest payments and amounts maturing on the mortgage over each of the next four fiscal years based on the Langford Property's carve-out financial statements as at December 31, 2020:

	Principal payments	Balloon payments	Total
2021	\$ 202	—	\$ 202
2022	209	—	209
2023	216	—	216
2024 and thereafter	224	11,334	11,558
Total	\$ 851	\$ 11,334	\$ 12,185

Loan Payable

The Property entered into a non-revolving term credit facility with a Canadian Chartered bank in October 2020 with \$4,800 drawn as at December 31, 2020. The undrawn portion of the credit facility was \$123. The credit facility is secured by the investment property and is subject to interest at the bank's prime rate plus 2.13% or, at the Property's option at the time of an advance, at the Canadian Dollar Offered Rate ("CDOR") plus 3.13%. The credit facility will mature in October 2022 and is classified as non-current liability as at December 31, 2020.

Loan payable includes unamortized deferred financing costs of \$109 as at December 31, 2020.

Loan payable as at December 31, 2020 and December 31, 2019 are summarized below:

	As at December 31, 2020	As at December 31, 2019
Loan payable	\$ 4,800	\$ —
Less: unamortized financing costs	(109)	—
Total carrying value	\$ 4,691	\$ —

Commitments and Contingencies

From time to time in the normal course of business, the Langford Property may be involved in litigation and claims in relation to its investment property. There are no known claims in relation to the property.

Significant Accounting Policies and Changes In Accounting Policies

A summary of the significant accounting policies is provided in Note 2 of the carve-out financial statements of the Langford Property as at December 31, 2020 and December 31, 2019 and for the year ended December 31, 2020 and the three months ended December 31, 2019. The preparation of carve-out financial statements in conformity with IFRS requires estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each carve-out financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

Critical Judgments and Estimates

The preparation of the Langford Property's carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties (see "Future Outlook" regarding COVID-19) that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The significant estimates used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

Accounting for Acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Property's acquisitions are generally determined to be asset purchases, as the Property does not acquire an integrated set of processes as part of the acquisition transaction.

Investment Properties

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash

outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

Financial Instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Property to its counterparties, the credit risk of the Property's counterparties relative to the Property, the estimated future cash flows and discount rates.

Leases

The Property makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Property has determined that all of its leases are operating leases.

Future Accounting Policy Changes

The future accounting policy changes are discussed in the Langford Property's carve-out financial statements for the year ended December 31, 2020 and for the three months ended December 31, 2019 and the notes contained therein.

Future Outlook

The objective of the Langford Property is to generate stable cash flows, while maximizing the Property's value through active asset management strategy, which includes plans to stabilize operations and to establish property-specific business plans to improve NOI. There will be focus on increasing rental rates through value-add initiatives to common areas, clubhouse and in-suite upgrades and the use of yield management software, increasing ancillary revenue, reducing operating expenses through active asset management, utilizing reputable best-in-class property managers and economies of scale.

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Another impact of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

Subsequent Events

Subsequent to December 31, 2020, the Owner entered into an agreement to sell the Property to the Fund for a purchase price of \$24,900. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

5.3 Nanaimo Property Management's Discussion and Analysis for the three and eight months ended September 30, 2021

The following management's discussion and analysis (the "**Nanaimo Property MD&A**") of the carve-out financial results of the rental operations of the Nanaimo Property for the three and eight months ended September 30, 2021, should be read in conjunction with the Nanaimo Property carve-out financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements". The Nanaimo Property and its related assets and liabilities are currently owned by Galaxy VA Linley Valley & Uplands Apartments Ltd. (the "**Owner**"). This MD&A does not include any financial information prior to February 1, 2021 given the rental operations of the Property commenced in February 2021 and as a result, there is no comparative information to include. The Property is a new development completed in 2021 where non-developmental expenses began to be incurred and leasing activity commenced in February 2021.

Basis of Presentation

The Nanaimo Property's carve-out financial statements for the three and eight months ended September 30, 2021 have been prepared in accordance with IFRS and IAS 34, Interim Financial Reporting. The Nanaimo Property's presentation currency is Canadian dollars. Unless otherwise stated, dollar amounts expressed in this Nanaimo Property MD&A are in thousands of Canadian dollars, except AMR information.

Business Overview, Property Profile and Strategy

The Nanaimo Property was completed in 2021 and is located approximately 86.6 kilometers west of downtown Vancouver, BC. Built on a 6.90 acre site, the Nanaimo Property comprises of 251 suites, across 3 mid-rise apartment buildings. The suite breakdown is as follows:

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom	619	67
2 Bedrooms	910	184
Average/Total	832 Average	251

The 251 total suites that comprise the Property are constructed on a total rentable area of 208,906 square feet. Suites consist of one and two bedrooms. The Property contains 333 total parking spaces, consisting of 21 surface and 312 underground spaces.

The Nanaimo Property offers unique, best in-class amenities that differentiate it from its competitors. Amenities include a workout facility and wellness centre, storage lockers, indoor bike storage, walking paths, BBQ patio area, a children's play space and an electric vehicle charging station.

As of October 1, 2021, the Nanaimo Property was 99% occupied and produced an AMR in the amount of \$2.36 per square foot, based on the monthly in-place rent roll of all occupied suites.

The Nanaimo Property is currently managed by Devon Properties. Following the acquisition of the Nanaimo Property, it is the Manager's intention to have the Property continue to be managed by Devon Properties, a boutique property management company with operations in BC.

Financial and Operational Highlights

As at September 30, 2021			
Operational Information			
Total suites			251
Economic occupancy % ⁽⁴⁾			81.7 %
Weighted average in-place rent ⁽⁵⁾	\$		1,963
Summary of Financial Information			
Gross Book Value ⁽¹⁾	\$		105,100
Indebtedness ⁽²⁾	\$		49,439
Indebtedness to Gross Book Value ⁽³⁾			47.0 %
	Three months ended September 30, 2021		Eight months ended September 30, 2021
Revenue from property operations	\$	1,237	\$ 1,893
Property operating costs	\$	(240)	\$ (412)
Property taxes	\$	(34)	\$ (137)
Net operating income	\$	963	\$ 1,344
Net income (loss) and comprehensive income (loss)	\$	960	\$ (1,474)
(1) "Gross Book Value" includes the impact of any fair value adjustment of investment property. (2) "Indebtedness" excludes unamortized financing costs and includes the principal amount outstanding for any loans payable. (3) Defined as Indebtedness divided by Gross Book Value. (4) During the three months ended September 30, 2021, the Property achieved economic occupancy of 81.7%. The Property is a new development completed in 2021 and as such non-developmental expenses began to be incurred and leasing activity commenced in February 2021. As at October 1, 2021, the Property was 99% occupied. (5) Represents the average monthly rent achieved based on the average monthly rental revenues earned divided by the average number of occupied units, as applicable during each period.			

Financial Performance

The Nanaimo Property's financial performance for the three and eight months ended September 30, 2021 is summarized below:

	Three months ended September 30, 2021		Eight months ended September 30, 2021	
Revenue from property operations	\$	1,237	\$	1,893
Property operating costs		(240)		(412)
Property taxes		(34)		(137)
Net operating income	\$	963	\$	1,344
Finance costs		(267)		(653)
Asset management fees		(27)		(60)
Professional fees		(9)		(19)
Fair value adjustment on investment property		300		(2,086)
Net income (loss) and comprehensive income (loss)	\$	960	\$	(1,474)

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the carve-out financial statements for the three and eight months ended September 30, 2021.

Results of Operations

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of certain utility expenses incurred. Other ancillary income may include, but is not limited to, amounts from forfeited deposits, late fees, short notice fees, cleaning fees, lease termination fees, application fees and pet fees. Net rental income is the only material component of total revenue from property operations, which typically accounts for approximately 90% thereof, with other ancillary income comprising the remaining approximate 10%.

Revenue from property operations for the three and eight months ended September 30, 2021 was \$1,237 and \$1,893, respectively, reflecting revenue earned from rental operations during such periods noting that the Property is a new development completed in 2021 where non-developmental expenses began to be incurred and leasing activity commenced in February 2021.

Property Operating Costs

The main components of property operating costs include advertising costs of approximately 18%, salaries and benefits of approximately 13%, general and administrative costs of approximately 5% and repairs and maintenance costs of approximately 5%. Given non-developmental expenses began being incurred in February 2021 in order to lease up the property, each component of property operating costs is not considered useful to a reader of this financial information.

For the three and eight months ended September 30, 2021, property operating costs were \$240 and \$412, respectively, reflecting costs incurred related to the rental operations of the Property during such periods noting that the Property is a new development completed in 2021 where non-developmental expenses began to be incurred and leasing activity commenced in February 2021.

The Nanaimo Property has engaged a property management company to perform sales, administrative and maintenance functions related to the Property. Fees associated with the property management agreement are based on 3.0% of gross collections of residential and miscellaneous income from the Property. For the three and eight months ended September 30, 2021, property management fees in the amount of \$42 and \$66, respectively, were incurred pursuant to this property management agreement.

Property Taxes

For the three and eight months ended September 30, 2021, property taxes were \$34 and \$137, respectively.

Net Operating Income (“NOI”)

For the three and eight months ended September 30, 2021, NOI was \$963 and \$1,344, respectively, and NOI margin was 77.8% and 71.0%, respectively. The Property achieved economic occupancy of 81.7% during the three months ended September 30, 2021. The Property is a new development completed in 2021 which commenced leasing in February 2021.

AMR and Occupancy

Average Monthly Rent

The following table presents AMR (in actual dollars) at the Nanaimo Property as at September 30, 2021:

Property	Suites	September 30, 2021
Nanaimo Property	251	\$ 1,963

As at September 30, 2021, AMR for the Nanaimo Property was \$1,963. Leasing commenced and non-developmental expenses began being incurred in February 2021. The property is a new development completed in 2021.

Occupancy

The following table presents economic occupancy of the Nanaimo Property for the three and eight months ended September 30, 2021:

Property	Three months ended September 30, 2021	Eight months ended September 30, 2021
Nanaimo Property	81.7 %	47.4 %

The Nanaimo Property’s economic occupancy for the three and eight months ended September 30, 2021 was 81.7% and 47.4%, respectively, reflecting the property’s leasing commencement and non-developmental expenses began being incurred in February 2021. The property is a new development completed in 2021

As at October 1, 2021, occupancy was 99%.

Non-IFRS Measures

Funds From Operations (“FFO”) / Adjusted Funds from Operations (“AFFO”)

	Three months ended September 30, 2021	Eight months ended September 30, 2021
Net income (loss) and comprehensive income (loss)	\$ 960	\$ (1,474)
Add (deduct):		
Fair value adjustment on investment property	(300)	2,086
Fair value adjustment on derivative financial instruments	—	(2)
FFO	\$ 660	\$ 610
Amortization of financing costs	32	83
AFFO	\$ 692	\$ 693

Other Income and Expenses

Finance Costs

The Nanaimo Property's finance costs for the three and eight months ended September 30, 2021 are summarized below.

	Three months ended September 30, 2021	Eight months ended September 30, 2021
Interest on loans payable	\$ 235	\$ 572
Amortization of financing costs	32	83
Fair value adjustment on derivative financial instruments	—	(2)
Total	\$ 267	\$ 653

Interest on loans payable

Interest on loans payable for the three and eight months ended September 30, 2021 was \$235 and \$572, respectively, reflecting the interest paid based on the terms of the loans payable (see "Loans Payable").

Amortization of financing costs

Amortization of financing costs for the three and eight months ended September 30, 2021 was \$32 and \$83, respectively, reflecting credit facilities drawn during the period.

Fair value adjustment on derivative financial instruments

The Owner of the Property entered into an interest rate swap agreement on January 20, 2021 to exchange the variable interest rate to a fixed interest rate of 0.489% per annum for the non-revolving term credit facility. This interest rate swap agreement was effective January 29, 2021 and terminates on October 31, 2022.

The Property recorded a fair value gain on derivative financial instruments of \$nil and \$2 for the three and eight months ended September 30, 2021, related to the change in fair value of the interest rate swap.

Investment Property – Fair Value Adjustments

The Nanaimo Property has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

For the three and eight months ended September 30, 2021, the Nanaimo Property recorded fair value increase of \$300 and decrease of \$2,086, respectively.

Subsequent to September 30, 2021, an agreement was entered into for the sale of the Nanaimo Property for \$105,100 (see "Subsequent Events").

Capital Investments

The Property requires capital expenditures to be incurred in future periods in order to maintain the productive capacity of the Property to sustain its rental income generating potential over its useful life with such amounts estimated to be \$250 per suite per annum. In accordance with IFRS, the Property capitalizes all capital improvement expenditures which enhance the service potential of the Property and extend the useful life of the asset. These amounts may differ each period due to the seasonality and the cyclical nature of such costs and are estimated based on a combination of third-party property condition assessment reports and management's expertise, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well their knowledge and experience with real estate.

Liquidity and Capital Resources

The Property expects to be able to meet all of its obligations, including property maintenance and capital improvements. Capital improvements are performed at the discretion of the Owner, as deemed in the best interest of the Property and its Owner. The Property has financing sources to fulfill its commitments.

Cash Flows

Cash flow provided by financing activities represents the primary source of liquidity to fund debt service, capital improvements, and leasing costs. The Nanaimo Property expects to be able to meet all of its obligations as they become due.

Cash Flows

The following table details the changes in cash for the three and eight months ended September 30, 2021:

	Three months ended September 30, 2021	Eight months ended September 30, 2021
Cash used in operating activities	\$ (169)	\$ (1,505)
Cash provided by financing activities	80	10,537
Cash used in investing activities	—	(5,786)
(Decrease) increase in cash	(89)	3,246
Cash, beginning of period	3,335	—
Cash, end of period	\$ 3,246	\$ 3,246

Cash used in operating activities

Cash used in operating activities during the three and eight months ended September 30, 2021 was \$169 and \$1,505, respectively, primarily due to the change in non-cash operating working capital, partially offset by Net Operating Income.

Cash provided by financing activities

Cash provided by financing activities for the three and eight months ended September 30, 2021 was \$80 and \$10,537, respectively, sourced from debt financing and contributions from owners, partially offset by finance costs paid.

Cash used in investing activities

Cash used in investing activities for the three and eight months ended September 30, 2021 was \$nil and \$5,786, respectively, which was primarily due to capital additions.

Loans Payable

The Nanaimo Property is pledged as security for loans entered into by the Owner. As at September 30, 2021, the Nanaimo Property's loans payable were \$2,907 and \$46,531. Interest accrues at the bank's prime rate + 2.13% and the bank's prime rate, respectively. Loans payable at September 30, 2021 is summarized below:

	As at September 30, 2021
Construction loan	\$ 46,531
Non-revolving term credit facility	2,907
Less: unamortized financing costs	(10)
Total carrying value	\$ 49,428

Commitments and Contingencies

From time to time in the normal course of business, the Nanaimo Property may be involved in litigation and claims in relation to its investment property. There are no known claims in relation to the Property.

Significant Accounting Policies and Changes In Accounting Policies

A summary of significant accounting policies is provided in Note 2 of the carve-out financial statements for the Nanaimo Property as at and for the three and eight months ended September 30, 2021. The preparation of carve-out financial statements in conformity with IFRS requires estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each carve-out financial statement date, as well as revenues and expenses for the periods indicated. Actual results could differ from those estimates.

Critical Judgments and Estimates

The preparation of the Nanaimo Property's carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties (see "Future Outlook" regarding COVID-19) that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The significant estimates used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

Accounting for Acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Property's acquisitions are generally determined to be asset purchases, as the Property does not acquire an integrated set of processes as part of the acquisition transaction.

Investment Properties

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

Financial Instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Property to its counterparties, the credit risk of the Property's counterparties relative to the Property, the estimated future cash flows and discount rates.

Leases

The Property makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Property has determined that all of its leases are operating leases.

Future Accounting Policy Changes

Future accounting policy changes are discussed in the Nanaimo Property's carve-out financial statements for the three and eight months ended September 30, 2021 and the notes contained therein.

Future Outlook

The objective of the Nanaimo Property is to generate stable cash flows, while maximizing the Property's value through an active asset management strategy, which includes plans to stabilize operations and to establish property-specific business plans to improve NOI. There will be a focus on increasing rental rates through value-add initiatives to common areas, clubhouse and in-suite upgrades and the use of yield management software, increasing ancillary revenue, reducing operating expenses through active asset management, utilizing reputable best-in-class property managers and economies of scale.

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Another impact of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

Subsequent Events

Subsequent to September 30, 2021, the Owner entered into an agreement to sell the Property to the Fund for a purchase price of \$105,100. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.25% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

5.4 Langford Property 2 Management's Discussion and Analysis for the year ended December 31, 2020, and the period ended December 31, 2019

The following management's discussion and analysis (the "**Langford Property 2 MD&A**") of the carve-out financial results of Langford Property 2 for the year ended December 31, 2020 and period ended December 31, 2019, should be read in conjunction with the Langford Property 2 carve-out financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements". Langford Property 2 and its related assets and liabilities are currently owned by Skyline Real Estate Limited Partnership through a bare trustee company, 9748954 Canada Inc. (the "**Owner**").

Basis of Presentation

Langford Property 2's carve-out financial statements for the year ended December 31, 2020 with comparisons to the period ended December 31, 2019 have been prepared in accordance with IFRS and IAS 34, Interim Financial Reporting. Langford Property 2's presentation currency is Canadian dollars. Unless otherwise stated, dollar amounts expressed in this Langford Property 2 MD&A are in thousands of Canadian dollars, except AMR information.

Business Overview, Property Profile and Strategy

Langford Property 2 is located approximately 13.8 kilometers west of downtown Victoria, BC. The Property provides convenient access to Goldstream Provincial Park, Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 0.74-acre site, Langford Property 2 comprises 81 suites in one low-rise apartment building. The suite breakdown is as follows:

Suite Type	Sq. Ft. Average	Number of Suites
Bachelor	260	3
1 Bedroom	592	38
2 Bedrooms	802	40
Average/Total	684 Average	81

The 81 total suites that comprise the Property are constructed on a total rentable area of 55,375 square feet. Suites consist of bachelor, one bedroom and two-bedroom suites. The Property contains 81 total parking spaces, consisting of 71 underground and 10 above ground spaces.

As of November 1, 2021, Langford Property 2 was 100% occupied and produced an AMR of \$2.46 per square foot, based on the monthly in-place rent of all occupied suites.

Following the acquisition of Langford Property 2, it is the Manager's intention to have the Property managed by Devon Properties, a boutique property management company with operations in BC.

Financial and Operational Highlights

	As at December 31, 2020	As at December 31, 2019
Operational Information		
Total suites	81	81
Economic occupancy % ⁽⁴⁾	91.8 %	95.1 %
Weighted average in-place rent ⁽⁵⁾	\$ 1,596	\$ 1,499
Summary of Financial Information		
Gross Book Value ⁽¹⁾	\$ 25,830	\$ 24,200
Indebtedness ⁽²⁾	\$ 14,732	\$ 15,029
Indebtedness to Gross Book Value ⁽³⁾	57.0 %	62.1 %
	Year ended December 31, 2020	Period ended December 31, 2019
Revenue from property operations	\$ 1,496	\$ 465
Property operating costs	\$ (263)	\$ (80)
Property taxes	\$ (122)	\$ (33)
Net operating income	\$ 1,111	\$ 352
Net income and comprehensive income	\$ 1,965	\$ 106
(1) "Gross Book Value" includes the impact of any fair value adjustment of investment property. (2) "Indebtedness" excludes unamortized financing costs and includes the principal amount outstanding for any mortgages payable. (3) Defined as Indebtedness divided by Gross Book Value. (4) Economic occupancy for the year ended December 31, 2020 and period ended December 31, 2019. (5) Represents the average monthly rent achieved based on the average monthly rental revenues earned divided by the average number of occupied units, as applicable during each period.		

Financial Performance

Langford Property 2's financial performance for the year ended December 31, 2020 and for the period ended December 31, 2019 are summarized below:

	Year ended December 31, 2020	Period ended December 31, 2019
Revenue from property operations	\$ 1,496	\$ 465
Property operating costs	(263)	(80)
Property taxes	(122)	(33)
Net operating income	1,111	352
Finance costs	(595)	(179)
Asset management fees	(33)	(10)
Fair value adjustment on investment property	1,482	(57)
Net income and comprehensive income	\$ 1,965	\$ 106

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the carve-out financial statements for the year ended December 31, 2020 and for the period ended December 31, 2019.

Results of Operations

Revenue From Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of certain utility expenses incurred. Other ancillary income may include, but is not limited to, amounts from forfeited deposits, late fees, short notice fees, cleaning fees, lease termination fees, application fees and pet fees. Net rental income is the only material component of total revenue from property operations, which accounts for approximately 98% thereof, with other ancillary income comprising the remaining approximate 2%.

Revenue from property operations for the year ended December 31, 2020 and period ended December 31, 2019 was \$1,496 and \$465, respectively. Rental demand remained strong during both the periods. The Property was acquired in September 2019.

Property Operating Costs

The main components of property operating costs include utility costs of approximately 32%, salaries and benefits of approximately 18%, general and administrative expense of approximately 15% and insurance expense of approximately 12%. Given each component of property operating costs is not individually material, such amounts have not been separately disclosed.

For the year ended December 31, 2020 property operating costs were \$263, which consisted primarily of utility costs, salaries and benefits, general and administrative expense and insurance expense. For the period ended December 31, 2019 property operating costs were \$80, which consisted of similar expenses to the year ended December 31, 2020.

Property Taxes

For the year ended December 31, 2020 and period ended December 31, 2019, property taxes were \$122 and \$33, respectively.

Net Operating Income ("NOI")

For the year ended December 31, 2020 and period ended December 31, 2019, NOI was \$1,111 and \$352, respectively, primarily attributable to AMR strength.

For the year ended December 31, 2020 and period ended December 31, 2019, the NOI margin was 74.3% and 75.7%, respectively, primarily attributable to AMR strength.

AMR and Occupancy

Average Monthly Rent

The following table presents AMR (in actual dollars) at Langford Property 2 as at December 31, 2020 and December 31, 2019:

Property	Suites	Langford Property 2		
		December 31, 2020 AMR	December 31, 2019 AMR	%
Langford Property 2	81	\$ 1,596	\$ 1,499	6.5%

As at December 31, 2020, AMR for Langford Property 2 increased by 6.5% to \$1,596 (December 31, 2019 - \$1,499) which was primarily driven by strong rental demand during the applicable period.

Occupancy

The following table presents the economic occupancy of Langford Property 2 for the year ended December 31, 2020 and period ended December 31, 2019:

Property	Year ended December 31, 2020	Period ended December 31, 2019
Langford Property 2	91.8 %	95.1 %

Langford Property 2's economic occupancy for the year ended December 31, 2020 and period ended December 31, 2019 was 91.8% and 95.1%, respectively. Higher vacancies led to a lower occupancy rate for the year ended December 31, 2020.

Non-IFRS Measures

Funds From Operations ("FFO") / Adjusted Funds from Operations ("AFFO")

	Year ended December 31, 2020	Period ended December 31, 2019
Net income and comprehensive income	\$ 1,965	\$ 106
Add (deduct)		
Fair value adjustment on investment property	(1,482)	57
FFO	\$ 483	\$ 163
Amortization of financing costs	18	2
AFFO	\$ 501	\$ 165

Other Income and Expenses

Finance Costs

Langford Property 2's finance costs for the year ended December 31, 2020 and the period ended December 31, 2019 are summarized below.

	Year ended December 31, 2020	Period ended December 31, 2019
Interest on mortgage payable	\$ 577	\$ 177
Amortization of financing costs	18	2
Total finance costs	\$ 595	\$ 179

Interest on Mortgage payable

Interest on mortgage payable for the year ended December 31, 2020 and period ended December 31, 2019 was \$577 and \$177, respectively, as the mortgage commenced in September 2019.

Amortization of financing costs

Amortization of financing costs for the year ended December 31, 2020 and period ended December 31, 2019 was \$18 and \$2, respectively, as the mortgage commenced in September 2019.

Investment Property – Fair Value Adjustments

Langford Property 2 has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

For the year ended December 31, 2020, Langford Property 2 recorded a \$1,482 fair value increase. For the period ended December 31, 2019, Langford Property 2 recorded a \$57 fair value decrease. Investment property fair value adjustments

are impacted by changes in NOI and the capitalization rate at the Property, net of capital additions to investment property incurred during the period.

Capital Investments

The Property requires capital expenditures to be incurred in future periods in order to maintain the productive capacity of the Property to sustain its rental income generating potential over its useful life with such amounts estimated to be \$410 per suite per annum. In accordance with IFRS, the Property capitalizes all capital improvement expenditures which enhance the service potential of the Property and extend the useful life of the asset. These amounts may differ each period due to the seasonality and the cyclical nature of such costs and are estimated based on a combination of third-party property condition assessment reports and management's expertise, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well their knowledge and experience with real estate.

In addition, certain value-add capital improvements are expected to be incurred at the Property, including targeted light value-add capital expenditures to rental suites at an average cost of approximately \$850. These capital improvement initiatives are expected to be funded from cash flow from operations at the Property.

Liquidity and Capital Resources

The Property expects to be able to meet all of its obligations, including property maintenance and capital improvements. Capital improvements are performed at the discretion of the Owner, as deemed in the best interest of the Property and its Owner. The Property has financing sources to fulfill its commitments.

Cash Flows

Cash flow provided by operating activities represents the primary source of liquidity to fund debt service, capital improvements, and leasing costs. Langford Property 2's cash flow from operating activities is dependent upon the occupancy level of its investment property, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Langford Property 2's net cash flow from operating activities and liquidity. Langford Property 2 expects to be able to meet all of its obligations as they become due.

The following table details the changes in cash for the year ended December 31, 2020 and the period ended December 31, 2019:

	Year ended December 31, 2020	Period ended December 31, 2019
Cash provided by operating activities	\$ 1,119	\$ 383
Cash (used in) provided by financing activities	(750)	23,934
Cash used in investing activities	(148)	(24,257)
Increase in cash	221	60
Cash, beginning of period	60	—
Cash, end of period	\$ 281	\$ 60

Cash provided by operating activities

Cash provided by operating activities during the year ended December 31, 2020 was \$1,119, which consisted primarily of NOI generated from operations. Cash provided by operating activities during the period ended December 31, 2019 was \$383, which consisted primarily of changes in non-cash operating working capital and NOI generated from operations.

Cash (used in) provided by financing activities

Cash used in financing activities for the year ended December 31, 2020 was \$750, which related primarily to finance costs paid and mortgage principal repayment. Cash provided by financing activities during the period ended December 31, 2019 was \$23,934, related primarily to mortgage proceeds and contributions from owners.

Cash used in investing activities

Cash used in investing activities for the year ended December 31, 2020 and period ended December 31, 2019 was \$148 and \$24,257, respectively, which related to capital additions to the investment property.

Mortgage Payable

Langford Property 2 is pledged as security for a mortgage entered into by the Owner. As at December 31, 2020, Langford Property 2's mortgage payable was \$14,667. Interest accrues at 3.91% per annum and the mortgage matures in April 2025.

Mortgage payables as at December 31, 2020 and December 31, 2019 are summarized below:

	As at December 31, 2020	As at December 31, 2019
Mortgage payable	\$ 14,732	\$ 15,029
Less: Deferred financing costs	(65)	(82)
Total carrying value	\$ 14,667	\$ 14,947

The following table sets out scheduled principal and interest payments and amounts maturing on the mortgage over each of the next four fiscal years based on Langford Property 2's carve-out financial statements as at December 31, 2020:

	Principal payments	Balloon payments	Total
2021	\$ 291	\$ —	\$ 291
2022	\$ 303	\$ —	\$ 303
2023	\$ 316	\$ —	\$ 316
2024 and thereafter	\$ 336	\$ 13,421	\$ 13,757
Total	\$ 1,246	\$ 13,421	\$ 14,667

Commitments and Contingencies

From time to time in the normal course of business, Langford Property 2 may be involved in litigation and claims in relation to its investment property. There are no known claims in relation to the Property.

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies is provided in Note 2 of the carve-out financial statements of Langford Property 2 as at December 31, 2020 and December 31, 2019 and for the year ended December 31, 2020 and period ended December 31, 2019. The preparation of carve-out financial statements in conformity with IFRS requires estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each carve-out financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

Critical Judgments and Estimates

The preparation of Langford Property 2's carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties (see "Future Outlook" regarding COVID-19) that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The significant estimates used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

Accounting for Acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Property's acquisitions are generally determined to be asset purchases, as the Property does not acquire an integrated set of processes as part of the acquisition transaction.

Investment Properties

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

Financial Instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Property to its counterparties, the credit risk of the Property's counterparties relative to the Property, the estimated future cash flows and discount rates.

Leases

The Property makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Property has determined that all of its leases are operating leases.

Future Accounting Policy Changes

Future accounting policy changes are discussed in Langford Property 2's carve-out financial statements for the year ended December 31, 2020 and for the period ended December 31, 2019 and the notes contained therein.

Future Outlook

The objective of Langford Property 2 is to generate stable cash flows, while maximizing the Property's value through an active asset management strategy, which includes plans to stabilize operations and to establish property-specific business plans to improve NOI. There will be a focus on increasing rental rates through value-add initiatives to common areas, clubhouse and in-suite upgrades and the use of yield management software, increasing ancillary revenue, reducing operating expenses through active asset management, utilizing reputable best-in-class property managers and economies of scale.

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Another impact of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

Subsequent Events

Subsequent to December 31, 2020, the Owner entered into an agreement to sell the Property to the Fund for a purchase price of \$32,900. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

5.5 Langford Property 2 Management's Discussion and Analysis for the three and nine months ended September 30, 2021 and 2020

The following management's discussion and analysis (the "**Langford Property 2 MD&A**") of the carve-out financial results of Langford Property 2 dated November 12, 2021 for the three and nine months ended September 30, 2021 and 2020, should be read in conjunction with the Langford Property 2 carve-out financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements". Langford Property 2 and its related assets and liabilities are currently owned by Skyline Real Estate Limited Partnership through a bare trustee company, 9748954 Canada Inc. (the "**Owner**").

Basis of Presentation

Langford Property 2's carve-out financial statements for the three and nine months ended September 30, 2021 with comparisons to the three and nine months ended September 30, 2020 have been prepared in accordance with IFRS and IAS 34, Interim Financial Reporting. Langford Property 2's presentation currency is Canadian dollars. Unless otherwise stated, dollar amounts expressed in this Langford Property 2 MD&A are in thousands of Canadian dollars, except AMR information.

Business Overview, Property Profile and Strategy

Langford Property 2 is located approximately 13.8 kilometers west of downtown Victoria, BC. The Property provides convenient access to Goldstream Provincial Park, Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 0.74-acre site, Langford Property 2 comprises 81 suites in one low-rise apartment building. The suite breakdown is as follows:

Suite Type	Sq. Ft. Average	Number of Suites
Bachelor	260	3
1 Bedroom	592	38
2 Bedrooms	802	40
Average/Total	684 Average	81

The 81 total suites that comprise the Property are constructed on a total rentable area of 55,375 square feet. Suites consist of bachelor, one bedroom and two-bedroom suites. The Property contains 81 total parking spaces, consisting of 71 underground and 10 above ground spaces.

As of November 1, 2021, Langford Property 2 was 100% occupied and produced an AMR of \$2.46 per square foot, based on the monthly in-place rent of all occupied suites.

Following the acquisition of Langford Property 2, it is the Manager's intention to have the Property managed by Devon Properties, a boutique property management company with operations in BC.

Financial and Operational Highlights

	As at September 30, 2021		As at September 30, 2020		As at December 31, 2020	
Operational Information						
Total suites	81		81		81	
Economic occupancy % ⁽⁴⁾	97.1 %		90.5 %		91.8 %	
Weighted average in-place rent ⁽⁵⁾	\$	1,665	\$	1,614	\$	1,596
Summary of Financial Information						
Gross Book Value ⁽¹⁾	\$	31,110	\$	25,407	\$	25,830
Indebtedness ⁽²⁾	\$	14,501	\$	14,807	\$	14,732
Indebtedness to Gross Book Value ⁽³⁾	46.6 %		58.3 %		57.0 %	
	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021	
Revenue from property operations	\$	410	\$	375	\$	1,216
Property operating costs	\$	(48)	\$	(58)	\$	(211)
Property taxes	\$	(28)	\$	(37)	\$	(84)
Net operating income	\$	334	\$	280	\$	921
Net income and comprehensive income	\$	1,919	\$	494	\$	5,672
(1) “Gross Book Value” includes the impact of any fair value adjustment of investment property.						
(2) “Indebtedness” excludes unamortized financing costs and includes the principal amount outstanding for any mortgages payable.						
(3) Defined as Indebtedness divided by Gross Book Value.						
(4) Economic occupancy for the three months ended September 30, 2021 and 2020 and year ended December 31, 2020.						
(5) Represents the average monthly rent achieved based on the average monthly rental revenues earned divided by the average number of occupied units, as applicable during each period.						

Financial Performance

Langford Property 2's financial performance for the three and nine months ended September 30, 2021 and for the three and nine months ended September 30, 2020 are summarized below:

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Revenue from property operations	\$	410	\$	375	\$	1,216	\$	1,108
Property operating costs		(48)		(58)		(211)		(198)
Property taxes		(28)		(37)		(84)		(92)
Net operating income		334		280		921		818
Finance costs		(145)		(148)		(437)		(447)
Asset management fees		(9)		(8)		(27)		(25)
Fair value adjustment on investment property		1,739		370		5,215		1,111
Net income and comprehensive income	\$	1,919	\$	494	\$	5,672	\$	1,457

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the carve-out financial statements for the three and nine months ended September 30, 2021 and for the three and nine months ended September 30, 2020.

Results of Operations

Revenue From Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of certain utility expenses incurred. Other ancillary income may include, but is not limited to, amounts from forfeited deposits, late fees, short notice fees, cleaning fees, lease termination fees, application fees and pet fees. Net rental income is the only material component of total revenue from property operations, which accounts for approximately 98% thereof, with other ancillary income comprising the remaining approximate 2%.

Revenue from property operations for the three months ended September 30, 2021 was \$410 (three months ended September 30, 2020 - \$375), representing an increase of \$35 or 9.3% primarily as a result of lower vacancies due to strong rental demand between periods.

Revenue from property operations for the nine months ended September 30, 2021 was \$1,216 (nine months ended September 30, 2020 - \$1,108), representing an increase of \$108 or 9.7% primarily as a result of lower vacancies for the same reason noted above for the three months ended September 30, 2021.

Property Operating Costs

The main components of property operating costs include utility costs of approximately 40%, salaries and benefits of approximately 14% and repairs and maintenance costs of approximately 13%. Given each component of property operating costs is not individually material, such amounts have not been separately disclosed.

For the three months ended September 30, 2021, property operating costs were \$48 (three months ended September 30, 2020 - \$58), representing a decrease of \$10 or 17.2% primarily as a result of decrease in utilities expense.

For the nine months ended September 30, 2021, property operating costs were \$211 (nine months ended September 30, 2020 - \$198), representing an increase of \$13 or 6.6% primarily as a result of an increase in utilities expense by \$25, partially offset by a decrease in salaries and benefits by \$8.

Property Taxes

For the three months ended September 30, 2021, property taxes were \$28 (three months ended September 30, 2020 - \$37).

For the nine months ended September 30, 2021, property taxes were \$84 (nine months ended September 30, 2020 - \$92).

Net Operating Income (“NOI”)

For the three months ended September 30, 2021, NOI was \$334 (three months ended September 30, 2020 - \$280) representing an increase of \$54 or 19.3% driven primarily by increased occupancy and a decrease in property operating costs and property taxes.

For the three months ended September 30, 2021, the NOI margin was 81.6% (three months ended September 30, 2020 - 74.7%), reflective of increased occupancy and a decrease in property operating costs and property taxes.

For the nine months ended September 30, 2021, NOI was \$921 (nine months ended September 30, 2020 - \$818) representing an increase of \$103 or 12.6%, driven primarily by increased occupancy and a decrease in property taxes, partially offset by an increase in property operating costs between periods.

For the nine months ended September 30, 2021, the NOI margin was 75.7% (nine months ended September 30, 2020 - 73.8%), reflective of increased occupancy and a decrease in property taxes, partially offset by an increase in property operating costs between periods.

AMR and Occupancy

Average Monthly Rent

The following table presents AMR (in actual dollars) at Langford Property 2 as at September 30, 2021 and September 30, 2020:

Property	Suites	Langford Property 2		
		September 30, 2021 AMR	September 30, 2020 AMR	%
Langford Property 2	81	\$ 1,665	\$ 1,614	3.2 %

As at September 30, 2021, AMR for Langford Property 2 increased by 3.2% to \$1,665 (September 30, 2020 - \$1,614) which was primarily driven by the Property’s focus in 2021 on achieving higher market rents through renewals.

Occupancy

The following table presents the economic occupancy of Langford Property 2 for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020:

Property	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Langford Property 2	97.1 %	90.5 %	97.7 %	90.4 %

Langford Property 2’s economic occupancy was 97.1% for the three months ended September 30, 2021 (three months ended September 30, 2020 - 90.5%). Occupancy increased between periods primarily due to strong rental demand.

The Property’s economic occupancy was 97.7% for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - 90.4%). Occupancy increased between periods for the same reason as noted above for three months ended September 30, 2021.

Non-IFRS Measures

Funds From Operations (“FFO”) / Adjusted Funds from Operations (“AFFO”)

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Net income and comprehensive income	\$	1,919	\$	494	\$	5,672	\$	1,457
Add (deduct)								
Fair value adjustment on investment property		(1,739)		(370)		(5,215)		(1,111)
FFO	\$	180	\$	124	\$	457	\$	346
Amortization of financing costs		4		4		12		14
AFFO	\$	184	\$	128	\$	469	\$	360

Other Income and Expenses

Finance Costs

Langford Property 2’s finance costs for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020 are summarized below.

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Interest on mortgage payable	\$	141	\$	144	\$	425	\$	433
Amortization of financing costs		4		4		12		14
Total finance costs	\$	145	\$	148	\$	437	\$	447

Interest on Mortgage payable

Interest on mortgage payable for the three months ended September 30, 2021 was \$141 (three months ended September 30, 2020 - \$144), representing a decrease of \$3 or 2.1%. The decrease is due to a lower mortgage principal balance between periods.

Interest on mortgage payable for the nine months ended September 30, 2021 was \$425 (nine months ended September 30, 2020 - \$433), representing a decrease of \$8 or 1.8%. The decrease is due to the same reasons as noted above for the three months ended September 30, 2021.

Amortization of financing costs

Amortization of financing costs for the three months ended September 30, 2021 was \$4 (three months ended September 30, 2020 - \$4), consistent between periods.

Amortization of financing costs for the nine months ended September 30, 2021 was \$12 (nine months ended September 30, 2020 - \$14), relatively consistent between periods.

Investment Property – Fair Value Adjustments

Langford Property 2 has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

Langford Property 2 recorded a fair value increase on the property of \$1,739 and \$5,215 for the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 - \$370 and \$1,111, respectively). Investment property fair value adjustments are impacted by changes in NOI and the capitalization rate at the Property, net of capital additions to investment property incurred during the period.

Subsequent to September 30, 2021, an agreement was entered into for the sale of Langford Property 2 at a purchase price of \$32,900 (see “Subsequent Events”).

Capital Investments

The Property requires capital expenditures to be incurred in future periods in order to maintain the productive capacity of the Property to sustain its rental income generating potential over its useful life with such amounts estimated to be \$410 per suite per annum. In accordance with IFRS, the Property capitalizes all capital improvement expenditures which enhance the service potential of the Property and extend the useful life of the asset. These amounts may differ each period due to the seasonality and the cyclical nature of such costs and are estimated based on a combination of third-party property condition assessment reports and management’s expertise, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party’s engineering and structural expertise as well their knowledge and experience with real estate.

In addition, certain value-add capital improvements are expected to be incurred at the Property, including targeted light value-add capital expenditures to rental suites at an average cost of approximately \$850. These capital improvement initiatives are expected to be funded from cash flow from operations at the Property.

Liquidity and Capital Resources

The Property expects to be able to meet all of its obligations, including property maintenance and capital improvements. Capital improvements are performed at the discretion of the Owner, as deemed in the best interest of the Property and its Owner. The Property has financing sources to fulfill its commitments.

Cash Flows

Cash flow provided by operating activities represents the primary source of liquidity to fund debt service, capital improvements, and leasing costs. Langford Property 2’s cash flow from operating activities is dependent upon the occupancy level of its investment property, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Langford Property 2’s net cash flow from operating activities and liquidity. Langford Property 2 expects to be able to meet all of its obligations as they become due.

The following table details the changes in cash for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash provided by operating activities	\$ 325	\$ 312	\$ 828	\$ 741
Cash used in financing activities	(166)	(188)	(487)	(550)
Cash used in investing activities	(43)	(49)	(65)	(96)
Increase in cash	116	75	276	95
Cash, beginning of period	441	80	281	60
Cash, end of period	\$ 557	\$ 155	\$ 557	\$ 155

Cash provided by operating activities

Cash provided by operating activities during the three months ended September 30, 2021 was \$325, which consisted primarily of NOI generated from operations. Cash provided by operating activities during the three months ended September 30, 2020 was \$312, which consisted primarily of NOI generated from operations.

Cash provided by operating activities during the nine months ended September 30, 2021 was \$828, which consisted primarily of NOI generated from operations. Cash provided by operating activities during the nine months ended September 30, 2020 was \$741, which consisted primarily of NOI generated from operations.

Cash used in financing activities

Cash used in financing activities for the three months ended September 30, 2021 was \$166, which related primarily to finance costs paid and mortgage principal repayment, partially offset by contributions from owners. Cash used in financing activities during the three months ended September 30, 2020 was \$188, related primarily to finance costs paid and mortgage principal repayment, partially offset by contributions from owners.

Cash used in financing activities for the nine months ended September 30, 2021 was \$487, which related primarily to finance costs paid and mortgage principal repayment, partially offset by contributions from owners. Cash used in financing activities during the nine months ended September 30, 2020 was \$550, related primarily to finance costs paid and mortgage principal repayment, partially offset by contributions from owners.

Cash used in investing activities

Cash used in investing activities for the three months ended September 30, 2021 was \$43 (three months ended September 30, 2020 - \$49), related to capital additions to the investment property.

Cash used in investing activities for the nine months ended September 30, 2021 was \$65 (nine months ended September 30, 2020 - \$96), related to capital additions to the investment property.

Mortgage Payable

Langford Property 2 is pledged as security for a mortgage entered into by the Owner. As at September 30, 2021, Langford Property 2's mortgage payable was \$14,449. Interest accrues at 3.91% per annum and the mortgage matures in April 2025.

Mortgage payable as at September 30, 2021, September 30, 2020 and December 31, 2020 are summarized below:

	As at September 30, 2021	As at September 30, 2020	As at December 31, 2020
Mortgage payable	\$ 14,501	\$ 14,807	\$ 14,732
Less: Deferred financing costs	(52)	(63)	(65)
Total carrying value	\$ 14,449	\$ 14,744	\$ 14,667

The following table sets out scheduled principal and interest payments and amounts maturing on the mortgage over each of the next four fiscal years based on Langford Property 2's carve-out financial statements as at September 30, 2021:

	Principal payments	Balloon payments	Total
2021 - remainder of the year	\$ 73	\$ —	\$ 73
2022	\$ 303	\$ —	\$ 303
2023	\$ 316	\$ —	\$ 316
2024 and thereafter	\$ 336	\$ 13,421	\$ 13,757
Total	\$ 1,028	\$ 13,421	\$ 14,449

Commitments and Contingencies

From time to time in the normal course of business, Langford Property 2 may be involved in litigation and claims in relation to its investment property. There are no known claims in relation to the Property.

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies is provided in Note 2 of the carve-out financial statements of Langford Property 2 as at September 30, 2021 and December 31, 2020 and for the three and nine months ended September 30, 2021 and 2020. The preparation of carve-out financial statements in conformity with IFRS requires estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each carve-out financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

Critical Judgments and Estimates

The preparation of Langford Property 2's carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties (see "Future Outlook" regarding COVID-19) that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The significant estimates used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

Accounting for Acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Property's acquisitions are generally determined to be asset purchases, as the Property does not acquire an integrated set of processes as part of the acquisition transaction.

Investment Properties

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

Financial Instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Property to its counterparties, the credit risk of the Property's counterparties relative to the Property, the estimated future cash flows and discount rates.

Leases

The Property makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Property has determined that all of its leases are operating leases.

Future Accounting Policy Changes

Future accounting policy changes are discussed in Langford Property 2's carve-out financial statements for the year ended December 31, 2020 and for the periods ended September 30, 2021 and 2020 and the notes contained therein.

Future Outlook

The objective of Langford Property 2 is to generate stable cash flows, while maximizing the Property's value through an active asset management strategy, which includes plans to stabilize operations and to establish property-specific business plans to improve NOI. There will be a focus on increasing rental rates through value-add initiatives to common areas, clubhouse and in-suite upgrades and the use of yield management software, increasing ancillary revenue, reducing operating expenses through active asset management, utilizing reputable best-in-class property managers and economies of scale.

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Another impact of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

Subsequent Events

Subsequent to September 30, 2021, the Owner entered into an agreement to sell the Property to the Fund for a purchase price of \$32,900. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

5.6 Vernon Property Management's Discussion and Analysis for the year ended December 31, 2020, and the period ended December 31, 2019

The following management's discussion and analysis (the "**Vernon Property MD&A**") of the carve-out financial results of the Vernon Property for the year ended December 31, 2020 and the period ended December 31, 2019, should be read in conjunction with the Vernon Property carve-out financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements". The Vernon Property and its related assets and liabilities are currently owned by Skyline Real Estate Limited Partnership through a bare trustee company, 9921192 Canada Inc. (the "**Owner**").

Basis of Presentation

The Vernon Property's carve-out financial statements for the year ended December 31, 2020 with comparisons to the period ended December 31, 2019 have been prepared in accordance with IFRS and IAS 34, Interim Financial Reporting. The Vernon Property's presentation currency is Canadian dollars. Unless otherwise stated, dollar amounts expressed in this Vernon Property MD&A are in thousands of Canadian dollars, except AMR information.

Business Overview, Property Profile and Strategy

The Vernon Property is located approximately 50 kilometers north of Kelowna, BC and provides convenient access to Kalamaka Lake Provincial Park, Kal Beach, Kin Beach and Silver Star Provincial Park. Built on a 1.20-acre site, the Vernon Property comprises 60 suites in one mid-rise apartment building. The suite breakdown is as follows:

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom	628	18
2 Bedrooms	811	32
3 Bedrooms	1,042	10
Average/Total	827 Average	60

The 60 total suites that comprise the Property are constructed on a total rentable area of 47,609 square feet. Suites consist of one, two and three-bedroom suites. The Property contains 63 total parking spaces, consisting of 35 underground and 28 above ground spaces.

As of November 1, 2021, the Vernon Property was 98% occupied and produced an AMR of \$1.87 per square foot, based on the monthly in-place rent of all occupied suites.

Following the acquisition of the Vernon Property, it is the Manager's intention to have the Property managed by Devon Properties, a boutique property management company with operations in BC.

Financial and Operational Highlights

	As at December 31, 2020	As at December 31, 2019
Operational Information		
Total suites	60	60
Economic occupancy % ⁽⁴⁾	89.4 %	62.9 %
Weighted average in-place rent ⁽⁵⁾	\$ 1,443	\$ 1,462
Summary of Financial Information		
Gross Book Value ⁽¹⁾	\$ 15,160	\$ 13,750
Indebtedness ⁽²⁾	\$ 9,472	\$ 9,667
Indebtedness to Gross Book Value ⁽³⁾	62.5 %	70.3 %
	Year ended December 31, 2020	Period ended December 31, 2019
Revenue from property operations	\$ 1,019	\$ 687
Property operating costs	\$ (289)	\$ (189)
Property taxes	\$ (86)	\$ (31)
Net operating income	\$ 644	\$ 467
Net income (loss) and comprehensive income (loss)	\$ 1,879	\$ (65)
(1) "Gross Book Value" includes the impact of any fair value adjustment of investment property. (2) "Indebtedness" excludes unamortized financing costs and includes the principal amount outstanding for any mortgages payable. (3) Defined as Indebtedness divided by Gross Book Value. (4) Economic occupancy for the year ended December 31, 2020 and period ended December 31, 2019. (5) Represents the average monthly rent achieved based on the average monthly rental revenues earned divided by the average number of occupied units, as applicable during each period.		

Financial Performance

The Vernon Property's financial performance for the year ended December 31, 2020 and for the period ended December 31, 2019 are summarized below:

	Year ended December 31, 2020	Period ended December 31, 2019
Revenue from property operations	\$ 1,019	\$ 687
Property operating costs	(289)	(189)
Property taxes	(86)	(31)
Net operating income	644	467
Finance costs	(334)	(166)
Asset management fees	(23)	(15)
Fair value adjustment on investment property	1,592	(351)
Net income (loss) and comprehensive income (loss)	\$ 1,879	\$ (65)

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the carve-out financial statements for the year ended December 31, 2020 and for the period ended December 31, 2019.

Results of Operations

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of certain utility expenses incurred. Other ancillary income may include, but is not limited to, amounts from forfeited deposits, late fees, short notice fees, cleaning fees, lease termination fees, application fees and pet fees. Net rental income is the only material component of total revenue from property operations, which accounts for approximately 95% thereof, with other ancillary income comprising the remaining approximate 5%.

Revenue from property operations for the year ended December 31, 2020 was \$1,019 (period ended December 31, 2019 - \$687). The property was acquired in March 2019.

Property Operating Costs

The main components of property operating costs include utility costs of approximately 39%, salaries and benefits of approximately 18% and repairs and maintenance costs of approximately 14%. Given each component of property operating costs is not individually material, such amounts have not been separately disclosed.

For the year ended December 31, 2020 property operating costs were \$289, which consisted primarily of insurance expense, utilities, salaries and benefits and repairs and maintenance costs. For the period ended December 31, 2019 property operating costs were \$189, which consisted primarily of utilities, salaries and benefits, advertising and general and administrative expenses.

Property Taxes

For the year ended December 31, 2020 and period ended December 31, 2019 property taxes were \$86 and \$31, respectively.

Net Operating Income ("NOI")

For the year ended December 31, 2020 and period ended December 31, 2019, NOI was \$644 and \$467, respectively. The property was acquired in March 2019.

For the year ended December 31, 2020 and period ended December 31, 2019, the NOI margin was 63.2% and 68.0%, respectively, primarily attributable to increased property taxes and property operating costs between periods.

AMR and Occupancy

Average Monthly Rent

The following table presents AMR (in actual dollars) at the Vernon Property as at December 31, 2020 and December 31, 2019:

Property	Suites	Vernon Property		
		December 31, 2020 AMR	December 31, 2019 AMR	%
Vernon Property	60	\$ 1,443	\$ 1,462	(1.3) %

As at December 31, 2020 AMR for the Vernon Property decreased by 1.3% to \$1,443 (December 31, 2019 - \$1,462) which was primarily driven by higher vacancy related to two and three bedroom suites.

Occupancy

The following table presents the economic occupancy of the Vernon Property for the year ended December 31, 2020 and the period ended December 31, 2019:

Property	Year ended December 31, 2020	Period ended December 31, 2019
Vernon Property	89.4 %	62.9%

The Vernon Property's economic occupancy for the year ended December 31, 2020 and period ended December 31, 2019 was 89.4% and 62.9%, respectively. The increase in occupancy between periods was due primarily to lower vacancies.

Non-IFRS Measures

Funds From Operations ("FFO") / Adjusted Funds from Operations ("AFFO")

	Year ended December 31, 2020	Period ended December 31, 2019
Net income (loss) and comprehensive income (loss)	\$ 1,879	\$ (65)
Add (deduct)		
Fair value adjustment on investment property	(1,592)	351
FFO	\$ 287	\$ 286
Amortization of financing costs	16	24
AFFO	\$ 303	\$ 310

Other Income and Expenses

Finance Costs

The Vernon Property's finance costs for the year ended December 31, 2020 and the period ended December 31, 2019 are summarized below.

	Year ended December 31, 2020	Period ended December 31, 2019
Interest on mortgage payable	\$ 318	\$ 142
Amortization of financing costs	16	24
Total finance costs	\$ 334	\$ 166

Interest on Mortgage payable

Interest on mortgage payable for the year ended December 31, 2020 and period ended December 31, 2019 was \$318 and \$142, respectively. The property was acquired in March 2019.

Amortization of financing costs

Amortization of financing costs for the year December 31, 2020 and period ended December 31, 2019 was \$16 and \$24, respectively.

Investment Property – Fair Value Adjustments

The Vernon Property has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

For the year ended December 31, 2020, the Vernon Property recorded a \$1,592 fair value increase. For the period ended December 31, 2019, the Vernon Property recorded a \$351 fair value decrease. Investment property fair value adjustments are impacted by changes in NOI and the capitalization rate at the Property, net of capital additions to investment property incurred during the period.

Capital Investments

The Property requires capital expenditures to be incurred in future periods in order to maintain the productive capacity of the Property to sustain its rental income generating potential over its useful life with such amounts estimated to be \$410 per suite per annum. In accordance with IFRS, the Property capitalizes all capital improvement expenditures which enhance the service potential of the Property and extend the useful life of the asset. These amounts may differ each period due to the seasonality and the cyclical nature of such costs and are estimated based on a combination of third-party property condition assessment reports and management's expertise, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well their knowledge and experience with real estate.

In addition, certain value-add capital improvements are expected to be incurred at the Property, including targeted light value-add capital expenditures to rental suites at an average cost of approximately \$850. These capital improvement initiatives are expected to be funded from cash flow from operations at the Property.

Liquidity and Capital Resources

The Property expects to be able to meet all of its obligations, including property maintenance and capital improvements. Capital improvements are performed at the discretion of the Owner, as deemed in the best interest of the Property and its Owner. The Property has financing sources to fulfill its commitments.

Cash Flows

Cash flow provided by operating activities represents the primary source of liquidity to fund debt service, capital improvements, and leasing costs. The Vernon Property's cash flow from operating activities is dependent upon the occupancy level of its investment property, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Vernon Property's net cash flow from operating activities and liquidity. The Vernon Property expects to be able to meet all of its obligations as they become due.

The following table details the changes in cash for the year ended December 31, 2020 and the period ended December 31, 2019:

	Year ended December 31, 2020	Period ended December 31, 2019
Cash provided by operating activities	\$ 675	\$ 470
Cash (used in) provided by financing activities	(910)	13,742
Cash used in investing activities	182	(14,101)
(Decrease) increase in cash	(53)	111
Cash (bank overdraft), beginning of period	111	—
Cash, end of period	\$ 58	\$ 111

Cash provided by operating activities

Cash provided by operating activities during the year ended December 31, 2020 was \$675, which consisted primarily of NOI generated from operations. Cash provided by operating activities during the period ended December 31, 2019 was \$470, which consisted primarily of NOI generated from operations.

Cash (used in) provided by financing activities

Cash used in financing activities for the year ended December 31, 2020 was \$910, which related primarily to finance costs paid, mortgage principal repayment and distributions to owners. Cash provided by financing activities during the period ended December 31, 2019 was \$13,742, which related primarily to mortgage proceeds and contributions from owners.

Cash provided by (used in) investing activities

Cash provided by investing activities for the year ended December 31, 2020 was \$182, related to credits received for capital asset additions.

Cash used in investment activities for the period ended December 31, 2019 was \$14,101, related to the acquisition of the Property as well as capital additions.

Mortgage Payable

The Vernon Property is pledged as security for a mortgage entered into by the Owner. As at December 31, 2020, the Vernon Property's mortgage payable was \$9,441. Interest accrues at 3.34% per annum and the mortgage renews in August 2029.

Mortgage payables as at December 31, 2020 and December 31, 2019 are summarized below:

	As at December 31, 2020	As at December 31, 2019
Mortgage payable	\$ 9,472	\$ 9,667
Less: Deferred financing costs	(31)	(47)
Total carrying value	\$ 9,441	\$ 9,620

The following table sets out scheduled principal and interest payments and amounts maturing on the mortgage over each of the next four fiscal years based on the Vernon Property's carve-out financial statements as at December 31, 2020:

	Principal payments		Balloon payments		Total
2021	\$	188	\$	—	\$ 188
2022	\$	195	\$	—	\$ 195
2023	\$	210	\$	—	\$ 210
2024 and thereafter	\$	222	\$	8,626	\$ 8,848
Total	\$	815	\$	8,626	\$ 9,441

Commitments and Contingencies

From time to time in the normal course of business, the Vernon Property may be involved in litigation and claims in relation to its investment property. There are no known claims in relation to the Property.

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies is provided in Note 2 of the carve-out financial statements of the Vernon Property as at December 31, 2020 and December 31, 2019 and for the year ended December 31, 2020 and period ended December 31, 2019. The preparation of carve-out financial statements in conformity with IFRS requires estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each carve-out financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

Critical Judgments and Estimates

The preparation of the Vernon Property's carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties (see "Future Outlook" regarding COVID-19) that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The significant estimates used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

Accounting for Acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Property's acquisitions are generally determined to be asset purchases, as the Property does not acquire an integrated set of processes as part of the acquisition transaction.

Investment Properties

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

Financial Instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Property to its counterparties, the credit risk of the Property's counterparties relative to the Property, the estimated future cash flows and discount rates.

Leases

The Property makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Property has determined that all of its leases are operating leases.

Future Accounting Policy Changes

Future accounting policy changes are discussed in the Vernon Property's carve-out financial statements for the year ended December 31, 2020 and for the period ended December 31, 2019 and the notes contained therein.

Future Outlook

The objective of the Vernon Property is to generate stable cash flows, while maximizing the Property's value through an active asset management strategy, which includes plans to stabilize operations and to establish property-specific business plans to improve NOI. There will be a focus on increasing rental rates through value-add initiatives to common areas, clubhouse and in-suite upgrades and the use of yield management software, increasing ancillary revenue, reducing operating expenses through active asset management, utilizing reputable best-in-class property managers and economies of scale.

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Another impact of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

Subsequent Events

Subsequent to December 31, 2020, the Owner entered into an agreement to sell the Property to the Fund for a purchase price of \$18,250. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

5.7 Vernon Property Management's Discussion and Analysis for the three and nine months ended September 30, 2021 and 2020

The following management's discussion and analysis (the "**Vernon Property MD&A**") of the carve-out financial results of the Vernon Property for the three and nine months ended September 30, 2021 and 2020, should be read in conjunction with the Vernon Property carve-out financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements". The Vernon Property and its related assets and liabilities are currently owned by Skyline Real Estate Limited Partnership through a bare trustee company, 9921192 Canada Inc. (the "**Owner**").

Basis of Presentation

The Vernon Property's carve-out financial statements for the three and nine months ended September 30, 2021 with comparisons to the three and nine months ended September 30, 2020 have been prepared in accordance with IFRS and IAS 34, Interim Financial Reporting. The Vernon Property's presentation currency is Canadian dollars. Unless otherwise stated, dollar amounts expressed in this Vernon Property MD&A are in thousands of Canadian dollars, except AMR information.

Business Overview, Property Profile and Strategy

The Vernon Property is located approximately 50 kilometers north of Kelowna, BC and provides convenient access to Kalamaka Lake Provincial Park, Kal Beach, Kin Beach and Silver Star Provincial Park. Built on a 1.20-acre site, the Vernon Property comprises 60 suites in one mid-rise apartment building. The suite breakdown is as follows:

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom	628	18
2 Bedrooms	811	32
3 Bedrooms	1,042	10
Average/Total	827 Average	60

The 60 total suites that comprise the Property are constructed on a total rentable area of 47,609 square feet. Suites consist of one, two and three-bedroom suites. The Property contains 63 total parking spaces, consisting of 35 underground and 28 above ground spaces.

As of November 1, 2021, the Vernon Property was 98% occupied and produced an AMR of \$1.87 per square foot, based on the monthly in-place rent of all occupied suites.

Following the acquisition of the Vernon Property, it is the Manager's intention to have the Property managed by Devon Properties, a boutique property management company with operations in BC.

Financial and Operational Highlights

	As at September 30, 2021		As at September 30, 2020		As at December 31, 2020	
Operational Information						
Total suites		60		60		60
Economic occupancy % ⁽⁴⁾		98.3 %		86.7 %		89.4 %
Weighted average in-place rent ⁽⁵⁾	\$	1,489	\$	1,483	\$	1,443
Summary of Financial Information						
Gross Book Value ⁽¹⁾	\$	17,471	\$	14,744	\$	15,160
Indebtedness ⁽²⁾	\$	9,322	\$	9,522	\$	9,472
Indebtedness to Gross Book Value ⁽³⁾		53.4 %		64.6 %		62.5 %
	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021	
	Nine months ended September 30, 2020					
Revenue from property operations	\$	278	\$	245	\$	834
Property operating costs	\$	(66)	\$	(77)	\$	(209)
Property taxes	\$	(20)	\$	(25)	\$	(59)
Net operating income	\$	192	\$	143	\$	566
Net income and comprehensive income	\$	862	\$	452	\$	2,581
(1) “Gross Book Value” includes the impact of any fair value adjustment of investment property.						
(2) “Indebtedness” excludes unamortized financing costs and includes the principal amount outstanding for any mortgages payable.						
(3) Defined as Indebtedness divided by Gross Book Value.						
(4) Economic occupancy for the three months ended September 30, 2021 and 2020 and year ended December 31, 2020.						
(5) Represents the average monthly rent achieved based on the average monthly rental revenues earned divided by the average number of occupied units, as applicable during each period.						

Financial Performance

The Vernon Property's financial performance for the three and nine months ended September 30, 2021 and for the three and nine months ended September 30, 2020 are summarized below:

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Revenue from property operations	\$	278	\$	245	\$	834	\$	739
Property operating costs		(66)		(77)		(209)		(215)
Property taxes		(20)		(25)		(59)		(45)
Net operating income		192		143		566		479
Finance costs		(82)		(83)		(243)		(251)
Asset management fees		(6)		(6)		(19)		(17)
Fair value adjustment on investment property		758		398		2,277		1,194
Net income and comprehensive income	\$	862	\$	452	\$	2,581	\$	1,405

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the carve-out financial statements for the three and nine months ended September 30, 2021 and for the three and nine months ended September 30, 2020.

Results of Operations

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of certain utility expenses incurred. Other ancillary income may include, but is not limited to, amounts from forfeited deposits, late fees, short notice fees, cleaning fees, lease termination fees, application fees and pet fees. Net rental income is the only material component of total revenue from property operations, which accounts for approximately 95% thereof, with other ancillary income comprising the remaining approximate 5%.

Revenue from property operations for the three months ended September 30, 2021 was \$278 (three months ended September 30, 2020 - \$245), representing an increase of \$33 or 13.5% primarily as a result of increased occupancy and AMR growth due to strong rental demand between periods.

Revenue from property operations for the nine months ended September 30, 2021 was \$834 (nine months ended September 30, 2020 - \$739), representing an increase of \$95 or 12.9% for the same reasons as noted above for the three months ended September 30, 2021.

Property Operating Costs

The main components of property operating costs include utility costs of approximately 38%, salaries and benefits of approximately 17% and repairs and maintenance costs of approximately 16%. Given each component of property operating costs is not individually material, such amounts have not been separately disclosed.

For the three months ended September 30, 2021 property operating costs were \$66 (three months ended September 30, 2020 - \$77), representing a decrease of \$11 or 14.3% primarily as a result of a decrease in utilities expense.

For the nine months ended September 30, 2021, property operating costs were \$209 (nine months ended September 30, 2020 - \$215), representing a decrease of \$6 or 2.8% primarily as a result of a decrease in advertising and salaries and benefits expenses, partially offset by an increase in general and administrative expense.

Property Taxes

For the three months ended September 30, 2021, property taxes were \$20 (three months ended September 30, 2020 - \$25).

For the nine months ended September 30, 2021, property taxes were \$59 (nine months ended September 30, 2020 - \$45).

Net Operating Income (“NOI”)

For the three months ended September 30, 2021, NOI was \$192 (three months ended September 30, 2020 - \$143) representing an increase of \$49 or 34.3%, driven primarily by increased revenue from property operations and a decrease in property operating costs and property taxes.

For the three months ended September 30, 2021, the NOI margin was 69.1% (three months ended September 30, 2020 - 58.4%). The increase in NOI margin between periods was reflective of increased revenue from property operations and a decrease in property operating costs and property taxes.

For the nine months ended September 30, 2021, NOI was \$566 (nine months ended September 30, 2020 - \$479), representing an increase of \$87 or 18.2%, driven primarily by increased revenue from property operations and a decrease in property operating costs, partially offset by an increase in property taxes between periods.

For the nine months ended September 30, 2021, the NOI margin was 67.9% (nine months ended September 30, 2020 - 64.8%). The increase in NOI margin between periods was reflective of increased revenue from property operations and a decrease in property operating costs, partially offset by an increase in property taxes between periods.

AMR and Occupancy

Average Monthly Rent

The following table presents AMR (in actual dollars) at the Vernon Property as at September 30, 2021 and September 30, 2020:

Property	Suites	Vernon Property		
		September 30, 2021 AMR	September 30, 2020 AMR	%
Vernon Property	60	\$ 1,489	\$ 1,483	0.4 %

As at September 30, 2021 AMR for the Vernon Property increased by 0.4% to \$1,489 (September 30, 2020 - \$1,483) which was primarily driven by strong rental demand in 2021.

Occupancy

The following table presents the economic occupancy of the Vernon Property for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020:

Property	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Vernon Property	98.3 %	86.7 %	97.4 %	87.4 %

The Vernon Property's economic occupancy was 98.3% for the three months ended September 30, 2021 (three months ended September 30, 2020 - 86.7%). The increase in occupancy between periods was due primarily to lower vacancies.

The Property's economic occupancy was 97.4% for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - 87.4%). The increase in occupancy between periods was due to the same reasons as noted above for three months ended September 30, 2021.

Non-IFRS Measures

Funds From Operations (“FFO”) / Adjusted Funds from Operations (“AFFO”)

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Net income and comprehensive income	\$	862	\$	452	\$	2,581	\$	1,405
Add (deduct)								
Fair value adjustment on investment property		(758)		(398)		(2,227)		(1,194)
FFO	\$	104	\$	54	\$	304	\$	211
Amortization of financing costs		3		3		10		13
AFFO	\$	107	\$	57	\$	314	\$	224

Other Income and Expenses

Finance Costs

The Vernon Property’s finance costs for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020 are summarized below.

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Interest on mortgage payable	\$	79	\$	80	\$	233	\$	238
Amortization of financing costs		3		3		10		13
Total finance costs	\$	82	\$	83	\$	243	\$	251

Interest on Mortgage payable

Interest on mortgage payable for the three months ended September 30, 2021 was \$79 (three months ended September 30, 2020 - \$80), representing a relatively consistent decrease of \$1 or 1.3%.

Interest on mortgage payable for the nine months ended September 30, 2021 was \$233 (nine months ended September 30, 2020 - \$238), representing a relatively consistent decrease of \$5 or 2.1%.

Amortization of financing costs

Amortization of financing costs for the three months ended September 30, 2021 was \$3 (three months ended September 30, 2020 - \$3), consistent between periods.

Amortization of financing costs for the nine months ended September 30, 2021 was \$10 (nine months ended September 30, 2020 - \$13), relatively consistent between periods.

Investment Property – Fair Value Adjustments

The Vernon Property has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

The Vernon Property recorded fair value increases on the property of \$758 and \$2,227 for the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 - increases of \$398 and \$1,194,

respectively). Investment property fair value adjustments are impacted by changes in NOI and the capitalization rate at the Property, net of capital additions to investment property incurred during the period.

Subsequent to September 30, 2021, an agreement was entered into for the sale of the Vernon Property at a purchase price of \$18,250 (see “Subsequent Events”).

Capital Investments

The Property requires capital expenditures to be incurred in future periods in order to maintain the productive capacity of the Property to sustain its rental income generating potential over its useful life with such amounts estimated to be \$410 per suite per annum. In accordance with IFRS, the Property capitalizes all capital improvement expenditures which enhance the service potential of the Property and extend the useful life of the asset. These amounts may differ each period due to the seasonality and the cyclical nature of such costs and are estimated based on a combination of third-party property condition assessment reports and management’s expertise, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party’s engineering and structural expertise as well their knowledge and experience with real estate.

In addition, certain value-add capital improvements are expected to be incurred at the Property, including targeted light value-add capital expenditures to rental suites at an average cost of approximately \$850. These capital improvement initiatives are expected to be funded from cash flow from operations at the Property.

Liquidity and Capital Resources

The Property expects to be able to meet all of its obligations, including property maintenance and capital improvements. Capital improvements are performed at the discretion of the Owner, as deemed in the best interest of the Property and its Owner. The Property has financing sources to fulfill its commitments.

Cash Flows

Cash flow provided by operating activities represents the primary source of liquidity to fund debt service, capital improvements, and leasing costs. The Vernon Property’s cash flow from operating activities is dependent upon the occupancy level of its investment property, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Vernon Property’s net cash flow from operating activities and liquidity. The Vernon Property expects to be able to meet all of its obligations as they become due.

The following table details the changes in cash for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash provided by operating activities	\$ 194	\$ 101	\$ 539	\$ 467
Cash used in financing activities	(122)	(119)	(406)	(436)
Cash used in investing activities	(8)	(18)	(34)	(49)
Increase (decrease) in cash	64	(36)	99	(18)
Cash, beginning of period	93	119	58	101
Cash, end of period	\$ 157	\$ 83	\$ 157	\$ 83

Cash provided by operating activities

Cash provided by operating activities during the three months ended September 30, 2021 was \$194, which consisted primarily of NOI generated from operations. Cash provided by operating activities during the three months ended September 30, 2020 was \$101, which consisted primarily of NOI generated from operations, partially offset by changes in non-cash operating working capital.

Cash provided by operating activities during the nine months ended September 30, 2021 was \$539, which consisted primarily of NOI generated from operations. Cash provided by operating activities during the nine months ended September 30, 2020 was \$467 and related primarily to NOI generated from operations.

Cash used in financing activities

Cash used in financing activities for the three months ended September 30, 2021 was \$122, which related primarily to finance costs paid and mortgage principal repayment. Cash used in financing activities during the three months ended September 30, 2020 was \$119, related primarily to finance costs paid and mortgage principal repayment.

Cash used in financing activities for the nine months ended September 30, 2021 was \$406, which related primarily to finance costs paid and mortgage principal repayment. Cash used in financing activities during the nine months ended September 30, 2020 was \$436, related primarily to finance costs paid, mortgage principal repayment and distributions to owners.

Cash used in investing activities

Cash used in investing activities for the three months ended September 30, 2021 was \$8 (three months ended September 30, 2020 - \$18), related to capital additions to the investment property.

Cash used in investing activities for the nine months ended September 30, 2021 was \$34 (nine months ended September 30, 2020 - \$49), related to capital additions to the investment property.

Mortgage Payable

The Vernon Property is pledged as security for a mortgage entered into by the Owner. As at September 30, 2021, the Vernon Property's mortgage payable was \$9,302. Interest accrues at 3.34% per annum and the mortgage renews in August 2029.

Mortgage payable as at September 30, 2021, September 30, 2020 and December 31, 2020 are summarized below:

	As at September 30, 2021	As at September 30, 2020	As at December 31, 2020
Mortgage payable	\$ 9,322	\$ 9,522	\$ 9,472
Less: Deferred financing costs	(20)	(31)	(31)
Total carrying value	\$ 9,302	\$ 9,491	\$ 9,441

The following table sets out scheduled principal and interest payments and amounts maturing on the mortgage over each of the next four fiscal years based on the Vernon Property's carve-out financial statements as at September 30, 2021:

	Principal payments	Balloon payments	Total
2021 - remainder of the year	\$ 49	\$ —	\$ 49
2022	\$ 195	\$ —	\$ 195
2023	\$ 210	\$ —	\$ 210
2024 and thereafter	\$ 222	\$ 8,626	\$ 8,848
Total	\$ 676	\$ 8,626	\$ 9,302

Commitments and Contingencies

From time to time in the normal course of business, the Vernon Property may be involved in litigation and claims in relation to its investment property. There are no known claims in relation to the Property.

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies is provided in Note 2 of the carve-out financial statements of the Vernon Property as at and for the three and nine months ended September 30, 2021 and 2020 and as at December 31, 2020. The preparation of carve-out financial statements in conformity with IFRS requires estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each carve-out financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

Critical Judgments and Estimates

The preparation of the Vernon Property's carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties (see "Future Outlook" regarding COVID-19) that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The significant estimates used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

Accounting For Acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Property's acquisitions are generally determined to be asset purchases, as the Property does not acquire an integrated set of processes as part of the acquisition transaction.

Investment Properties

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

Financial Instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Property to its counterparties, the credit risk of the Property's counterparties relative to the Property, the estimated future cash flows and discount rates.

Leases

The Property makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Property has determined that all of its leases are operating leases.

Future Accounting Policy Changes

Future accounting policy changes are discussed in the Vernon Property's carve-out financial statements for the years ended December 31, 2020 and for the periods ended September 30, 2021 and 2020 and the notes contained therein.

Future Outlook

The objective of the Vernon Property is to generate stable cash flows, while maximizing the Property's value through an active asset management strategy, which includes plans to stabilize operations and to establish property-specific business plans to improve NOI. There will be a focus on increasing rental rates through value-add initiatives to common areas, clubhouse and in-suite upgrades and the use of yield management software, increasing ancillary revenue, reducing operating expenses through active asset management, utilizing reputable best-in-class property managers and economies of scale.

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Another impact of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

Subsequent Events

Subsequent to September 30, 2021, the Owner entered into an agreement to sell the Property to the Fund for a purchase price of \$18,250. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

5.8 Vernon Property 2 Management's Discussion and Analysis for the year ended December 31, 2020, and the period ended December 31, 2019

The following management's discussion and analysis (the "**Vernon Property 2 MD&A**") of the carve-out financial results of Vernon Property 2 for the year ended December 31, 2020 and the period ended December 31, 2019, should be read in conjunction with the Vernon Property 2 carve-out financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements". The Vernon Property 2 and its related assets and liabilities are currently owned by Skyline Real Estate Limited Partnership through a bare trustee company, 2103078 Ontario Inc. (the "**Owner**").

Basis of Presentation

Vernon Property 2's carve-out financial statements for the year ended December 31, 2020 with comparisons to the period ended December 31, 2019 have been prepared in accordance with IFRS and IAS 34, Interim Financial Reporting. Vernon Property 2's presentation currency is Canadian dollars. Unless otherwise stated, dollar amounts expressed in this Vernon Property 2 MD&A are in thousands of Canadian dollars, except AMR information.

Business Overview, Property Profile and Strategy

Vernon Property 2 is located approximately 50 kilometers north of Kelowna, BC and provides convenient access to Kalamaka Lake Provincial Park, Kal Beach, Kin Beach and Silver Star Provincial Park. Built on a 0.54-acre site, the Vernon Property 2 comprises 43 suites in one mid-rise apartment building. The suite breakdown is as follows:

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom	568	11
2 Bedrooms	857	20
3 Bedrooms	1,054	12
Average/Total	838 Average	43

The 43 total suites that comprise the Property are constructed on a total rentable area of 36,017 square feet. Suites consist of one, two and three-bedroom suites. The Property contains 49 total parking spaces, consisting of 22 underground and 27 above ground spaces.

As of November 1, 2021, Vernon Property 2 was 98% occupied and produced an AMR of \$1.82 per square foot, based on the monthly in-place rent of all occupied suites.

Following the acquisition of Vernon Property 2, it is the Manager's intention to have the Property managed by Devon Properties, a boutique property management company with operations in BC.

Financial and Operational Highlights

	As at December 31, 2020	As at December 31, 2019
Operational Information		
Total suites	43	43
Economic occupancy % ⁽⁴⁾	70.2 %	4.7 %
Weighted average in-place rent ⁽⁵⁾	\$ 1,530	\$ 1,485
Summary of Financial Information		
Gross Book Value ⁽¹⁾	\$ 10,420	\$ 9,800
Indebtedness ⁽²⁾	\$ 7,067	\$ —
Indebtedness to Gross Book Value ⁽³⁾	67.8 %	— %
	Year ended December 31, 2020	Period ended December 31, 2019
Revenue from property operations	\$ 547	\$ 2
Property operating costs	\$ (232)	\$ (13)
Property taxes	\$ (62)	\$ —
Net operating income (loss)	\$ 253	\$ (11)
Net income (loss) and comprehensive (loss) income	\$ 717	\$ (112)
(1) “Gross Book Value” includes the impact of any fair value adjustment of investment property. (2) “Indebtedness” excludes unamortized financing costs and includes the principal amount outstanding for any mortgages payable. (3) Defined as Indebtedness divided by Gross Book Value. (4) Economic occupancy for the year ended December 31, 2020 and the period ended December 31, 2019. (5) Represents the average monthly rent achieved based on the average monthly rental revenues earned divided by the average number of occupied units, as applicable during each period.		

Financial Performance

Vernon Property 2’s financial performance for the year ended December 31, 2020 and for the period ended December 31, 2019 are summarized below:

	Year ended December 31, 2020	Period ended December 31, 2019
Revenue from property operations	547	2
Property operating costs	(232)	(13)
Property taxes	(62)	—
Net operating income (loss)	253	(11)
Finance costs	(76)	—
Asset management fees	(8)	—
Fair value adjustment on investment property	548	(101)
Net income (loss) and comprehensive income (loss)	\$ 717	\$ (112)

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the carve-out financial statements for the year ended December 31, 2020 and for the period ended December 31, 2019.

Results of Operations

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of certain utility expenses incurred. Other ancillary income may include, but is not limited to, amounts from forfeited deposits, late fees, short notice fees, cleaning fees, lease termination fees, application fees and pet fees. Net rental income is the only material component of total revenue from property operations, which accounts for approximately 96% thereof, with other ancillary income comprising the remaining approximate 4%.

Revenue from property operations for the year ended December 31, 2020 and period ended December 31, 2019 was \$547 and \$2, respectively. The Property was acquired in December 2019.

Property Operating Costs

The main components of property operating costs include utility costs of approximately 37%, advertising costs of approximately 16% and salaries and benefits of approximately 12%. Given each component of property operating costs is not individually material, such amounts have not been separately disclosed.

For the year ended December 31, 2020 property operating costs were \$232, which consisted primarily of general and administrative, repairs and maintenance and insurance expense.

For the period ended December 31, 2019 property operating costs were \$13 as the Property was acquired in December 2019.

Property Taxes

For the year ended December 31, 2020 and period ended December 31, 2019, property taxes were \$62 and \$nil, respectively.

Net Operating Income (Loss) ("NOI")

For the year ended December 31, 2020 and period ended December 31, 2019, NOI was \$253 and \$(11), respectively.

For the year ended December 31, 2020 and period ended December 31, 2019, the NOI margin was 46.3% and (550.0)%, respectively.

AMR and Occupancy

Average Monthly Rent

The following table presents AMR (in actual dollars) at Vernon Property 2 as at December 31, 2020 and December 31, 2019:

Property	Suites	Vernon Property 2		
		December 31, 2020 AMR	December 31, 2019 AMR	%
Vernon Property 2	43	\$ 1,530	\$ 1,485	2.6 %

As at December 31, 2020 AMR for Vernon Property 2 increased by 3.0% to \$1,530 (December 31, 2019 - \$1,485) which was primarily driven by strong rental demand during 2020.

Occupancy

The following table presents the economic occupancy of Vernon Property 2 for the year ended December 31, 2020 and the period ended December 31, 2019:

Property	Year ended December 31, 2020	Period ended December 31, 2019
Vernon Property 2	70.2 %	4.7 %

For the year ended December 31, 2020 and the period ended December 31, 2019, Vernon Property 2's economic occupancy was 70.2% and 4.7%, respectively.

Non-IFRS Measures

Funds From Operations ("FFO") / Adjusted Funds from Operations ("AFFO")

	Year ended December 31, 2020	Period ended December 31, 2019
Net income (loss) and comprehensive income (loss)	\$ 717	\$ (112)
Add (deduct)		
Fair value adjustment on investment property	(548)	101
FFO	\$ 169	\$ (11)
Amortization of financing costs	6	—
AFFO	\$ 175	\$ (11)

Other Income and Expenses

Finance Costs

Vernon Property 2's finance costs for the year ended December 31, 2020 and the period ended December 31, 2019 are summarized below.

	Year ended December 31, 2020	Period ended December 31, 2019
Interest on mortgage payable	\$ 70	\$ —
Amortization of financing costs	6	—
Total finance costs	\$ 76	\$ —

Interest on Mortgage payable

Interest on mortgage payable for the year ended December 31, 2020 and the period ended December 31, 2019 was \$70 and \$nil, respectively, as the mortgage commenced in August 2020.

Amortization of financing costs

Amortization of financing costs for the year ended December 31, 2020 and the period ended December 31, 2019 was \$6 and \$nil, respectively, as the mortgage commenced in August 2020.

Investment Property – Fair Value Adjustments

Vernon Property 2 has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

For the year ended December 31, 2020, Vernon Property 2 recorded a \$548 fair value increase. For the period ended December 31, 2019, Vernon Property 2 recorded a \$101 fair value decrease. Investment property fair value adjustments are impacted by changes in NOI and the capitalization rate at the Property, net of capital additions to investment property incurred during the period.

Capital Investments

The Property requires capital expenditures to be incurred in future periods in order to maintain the productive capacity of the Property to sustain its rental income generating potential over its useful life with such amounts estimated to be \$410 per suite per annum. In accordance with IFRS, the Property capitalizes all capital improvement expenditures which enhance the service potential of the Property and extend the useful life of the asset. These amounts may differ each period due to the seasonality and the cyclical nature of such costs and are estimated based on a combination of third-party property condition assessment reports and management's expertise, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well their knowledge and experience with real estate.

In addition, certain value-add capital improvements are expected to be incurred at the Property, including targeted light value-add capital expenditures to rental suites at an average cost of approximately \$850. These capital improvement initiatives are expected to be funded from cash flow from operations at the Property.

Liquidity and Capital Resources

The Property expects to be able to meet all of its obligations, including property maintenance and capital improvements. Capital improvements are performed at the discretion of the Owner, as deemed in the best interest of the Property and its Owner. The Property has financing sources to fulfill its commitments.

Cash Flows

Cash flow provided by operating activities represents the primary source of liquidity to fund debt service, capital improvements, and leasing costs. Vernon Property 2's cash flow from operating activities is dependent upon the occupancy level of its investment property, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect Vernon Property 2's net cash flow from operating activities and liquidity. Vernon Property 2 expects to be able to meet all of its obligations as they become due.

The following table details the changes in cash for the year ended December 31, 2020 and the period ended December 31, 2019:

	Year ended December 31, 2020	Period ended December 31, 2019
Cash provided by (used in) operating activities	\$ 248	\$ (8)
Cash (used in) provided by financing activities	(87)	9,903
Cash used in investing activities	(72)	(9,901)
Increase (decrease) in cash	89	(6)
Bank overdraft, beginning of period	(6)	—
Cash (bank overdraft), end of period	\$ 83	\$ (6)

Cash provided by (used in) operating activities

Cash provided by operating activities during the year ended December 31, 2020 was \$248, which consisted primarily of NOI generated from operations. Cash used in operating activities during the period ended December 31, 2019 was \$8, which consisted primarily of net operating loss generated from operations.

Cash (used in) provided by financing activities

Cash used in financing activities for the year ended December 31, 2020 was \$87, which related primarily to distributions to owners, partially offset by mortgage proceeds. Cash provided by financing activities during the period ended December 31, 2019 was \$9,903, related to contributions from owners.

Cash used in investing activities

Cash used in investing activities for the year ended December 31, 2020 and period ended December 31, 2019 was \$72 and \$9,901, respectively, which related to capital additions to the investment property.

Mortgage Payable

Vernon Property 2 is pledged as security for a mortgage entered into by the Owner. As at December 31, 2020, Vernon Property 2's mortgage payable was \$7,018. Interest accrues at 2.35% per annum and the mortgage renews in August 2030.

Mortgage payable as at December 31, 2020 and December 31, 2019 are summarized below:

	As at December 31, 2020	As at December 31, 2019
Mortgage payable	\$ 7,067	\$ —
Less: Deferred financing costs	(49)	—
Total carrying value	\$ 7,018	\$ —

The following table sets out scheduled principal and interest payments and amounts maturing on the mortgage over each of the next four fiscal years based on Vernon Property 2's carve-out financial statements as at December 31, 2020:

	Principal payments		Balloon payments		Total
2021	\$	156	\$	—	\$ 156
2022	\$	160	\$	—	\$ 160
2023	\$	164	\$	—	\$ 164
2024 and thereafter	\$	168	\$	6,370	\$ 6,538
Total	\$	648	\$	6,370	\$ 7,018

Commitments and Contingencies

From time to time in the normal course of business, Vernon Property 2 may be involved in litigation and claims in relation to its investment property. There are no known claims in relation to the Property.

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies is provided in Note 2 of the carve-out financial statements of Vernon Property 2 as at December 31, 2020 and 2019 and for the year ended December 31, 2020 and period ended December 31, 2019. The preparation of carve-out financial statements in conformity with IFRS requires estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each carve-out financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

Critical Judgments and Estimates

The preparation of Vernon Property 2's carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties (see "Future Outlook" regarding COVID-19) that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The significant estimates used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

Accounting for Acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Property's acquisitions are generally determined to be asset purchases, as the Property does not acquire an integrated set of processes as part of the acquisition transaction.

Investment Properties

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

Financial Instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Property to its counterparties, the credit risk of the Property's counterparties relative to the Property, the estimated future cash flows and discount rates.

Leases

The Property makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Property has determined that all of its leases are operating leases.

Future Accounting Policy Changes

Future accounting policy changes are discussed in Vernon Property 2's carve-out financial statements for the year ended December 31, 2020 and for the period ended December 31, 2019 and the notes contained therein.

Future Outlook

The objective of Vernon Property 2 is to generate stable cash flows, while maximizing the Property's value through an active asset management strategy, which includes plans to stabilize operations and to establish property-specific business plans to improve NOI. There will be a focus on increasing rental rates through value-add initiatives to common areas, clubhouse and in-suite upgrades and the use of yield management software, increasing ancillary revenue, reducing operating expenses through active asset management, utilizing reputable best-in-class property managers and economies of scale.

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Another impact of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

Subsequent Events

Subsequent to December 31, 2020, the Owner entered into an agreement to sell the Property to the Fund for a purchase price of \$12,550. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

5.9 Vernon Property 2 Management's Discussion and Analysis for the three and nine months ended September 30, 2021 and 2020

The following management's discussion and analysis (the "**Vernon Property 2 MD&A**") of the carve-out financial results of Vernon Property 2 for the three and nine months ended September 30, 2021 and 2020, should be read in conjunction with the Vernon Property 2 carve-out financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements". Vernon Property 2 and its related assets and liabilities are currently owned by Skyline Real Estate Limited Partnership through a bare trustee company, 2103078 Ontario Inc. (the "**Owner**").

Basis of Presentation

Vernon Property 2's carve-out financial statements for the three and nine months ended September 30, 2021 with comparisons to the three and nine months ended September 30, 2020 have been prepared in accordance with IFRS and IAS 34, Interim Financial Reporting. Vernon Property 2's presentation currency is Canadian dollars. Unless otherwise stated, dollar amounts expressed in this Vernon Property 2 MD&A are in thousands of Canadian dollars, except AMR information.

Business Overview, Property Profile and Strategy

Vernon Property 2 is located approximately 50 kilometers north of Kelowna, BC and provides convenient access to Kalamaka Lake Provincial Park, Kal Beach, Kin Beach and Silver Star Provincial Park. Built on a 0.54-acre site, Vernon Property 2 comprises 43 suites in one mid-rise apartment building. The suite breakdown is as follows:

Suite Type	Sq. Ft. Average	Number of Suites
1 Bedroom	568	11
2 Bedrooms	857	20
3 Bedrooms	1,054	12
Average/Total	838 Average	43

The 43 total suites that comprise the Property are constructed on a total rentable area of 36,017 square feet. Suites consist of one, two and three-bedroom suites. The Property contains 49 total parking spaces, consisting of 22 underground and 27 above ground spaces.

As of November 1, 2021, Vernon Property 2 was 98% occupied and produced an AMR of \$1.82 per square foot, based on the monthly in-place rent of all occupied suites.

Following the acquisition of Vernon Property 2, it is the Manager's intention to have the Property managed by Devon Properties, a boutique property management company with operations in BC.

Financial and Operational Highlights

	As at September 30, 2021		As at September 30, 2020		As at December 31, 2020	
Operational Information						
Total suites		43		43		43
Economic occupancy % ⁽⁴⁾		89.9 %		91.5 %		70.2 %
Weighted average in-place rent ⁽⁵⁾	\$	1,529	\$	1,534	\$	1,530
Summary of Financial Information						
Gross Book Value ⁽¹⁾	\$	12,013	\$	10,274	\$	10,420
Indebtedness ⁽²⁾	\$	6,942	\$	7,109	\$	7,067
Indebtedness to Gross Book Value ⁽³⁾		57.8 %		69.2 %		67.8 %
	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021	
	Nine months ended September 30, 2020					
Revenue from property operations	\$	187	\$	175	\$	582
Property operating costs	\$	(50)	\$	(42)	\$	(164)
Property taxes	\$	(15)	\$	(10)	\$	(44)
Net operating income	\$	122	\$	123	\$	374
Net income and comprehensive income	\$	453	\$	225	\$	1,363
(1) “Gross Book Value” includes the impact of any fair value adjustment of investment property.						
(2) “Indebtedness” excludes unamortized financing costs and includes the principal amount outstanding for any mortgages payable.						
(3) Defined as Indebtedness divided by Gross Book Value.						
(4) Economic occupancy for the three months ended September 30, 2021 and 2020 and year ended December 31, 2020.						
(5) Represents the average monthly rent achieved based on the average monthly rental revenues earned divided by the average number of occupied units, as applicable during each period.						

Financial Performance

Vernon Property 2's financial performance for the three and nine months ended September 30, 2021 and for the three and nine months ended September 30, 2020 are summarized below:

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Revenue from property operations	\$	187	\$	175	\$	582	\$	349
Property operating costs		(50)		(42)		(164)		(179)
Property taxes		(15)		(10)		(44)		(46)
Net operating income		122		123		374		124
Finance costs		(43)		(31)		(131)		(31)
Asset management fees		(4)		(4)		(13)		(4)
Fair value adjustment on investment property		378		137		1,133		411
Net income and comprehensive income	\$	453	\$	225	\$	1,363	\$	500

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the carve-out financial statements for the three and nine months ended September 30, 2021 and for the three and nine months ended September 30, 2020.

Results of Operations

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of certain utility expenses incurred. Other ancillary income may include, but is not limited to, amounts from forfeited deposits, late fees, short notice fees, cleaning fees, lease termination fees, application fees and pet fees. Net rental income is the only material component of total revenue from property operations, which accounts for approximately 96% thereof, with other ancillary income comprising the remaining approximate 4%.

Revenue from property operations for the three months ended September 30, 2021 was \$187 (three months ended September 30, 2020 - \$175), representing an increase of \$12 or 6.9% primarily as a result of AMR growth due to strong rental demand during the applicable period.

Revenue from property operations for the nine months ended September 30, 2021 was \$582 (nine months ended September 30, 2020 - \$349), representing an increase of \$233 or 66.8% primarily as a result of AMR growth for the same reason as noted above for the three months ended September 30, 2021.

Property Operating Costs

The main components of property operating costs include utility costs of approximately 48%, salaries and benefits of approximately 12% and repairs and maintenance costs of approximately 5%. Given each component of property operating costs is not individually material, such amounts have not been separately disclosed.

For the three months ended September 30, 2021 property operating costs were \$50 (three months ended September 30, 2020 - \$42), representing an increase of \$8 or 19.0% primarily as a result of increase in utilities expense.

For the nine months ended September 30, 2021, property operating costs were \$164 (nine months ended September 30, 2020 - \$179), representing a decrease of \$15 or 8.4%.

Property Taxes

For the three months ended September 30, 2021, property taxes were \$15 (three months ended September 30, 2020 - \$10).

For the nine months ended September 30, 2021, property taxes were \$44 (nine months ended September 30, 2020 - \$46).

Net Operating Income (“NOI”)

For the three months ended September 30, 2021, NOI was \$122 (three months ended September 30, 2020 - \$123) representing a decrease of \$1 or 0.8% driven primarily by an increase in property operating costs and property taxes, partially offset by increased revenue from property operations.

For the three months ended September 30, 2021, the NOI margin was 65.2% (three months ended September 30, 2020 - 70.3%), the decrease in NOI margin was reflective of an increase in property operating costs and property taxes, partially offset by increased revenue from property operations due to AMR growth.

For the nine months ended September 30, 2021, NOI was \$374 (nine months ended September 30, 2020 - \$124), representing an increase of \$250 or 201.6% driven primarily by increased revenue from property operations due to AMR growth.

For the nine months ended September 30, 2021, the NOI margin was 64.3% (nine months ended September 30, 2020 - 35.5%). The increase in NOI margin between periods was due primarily to increased revenue from property operations due to AMR growth.

AMR and Occupancy

Average Monthly Rent

The following table presents AMR (in actual dollars) at Vernon Property 2 as at September 30, 2021 and September 30, 2020:

Property	Suites	Vernon Property 2		
		September 30, 2021 AMR	September 30, 2020 AMR	%
Vernon Property 2	43	\$ 1,529	\$ 1,534	(0.3) %

Vernon Property 2's AMR decreased by 0.3% as at September 30, 2021 (September 30, 2020 - \$1,534), relatively consistent between periods.

Occupancy

The following table presents the economic occupancy of Vernon Property 2 for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020:

Property	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Vernon Property 2	89.9 %	91.5 %	94.6 %	61.2 %

Vernon Property 2's economic occupancy was 89.9% for the three months ended September 30, 2021 (three months ended September 30, 2020 - 91.5%). Occupancy remained relatively consistent at the Property between periods.

The Property's economic occupancy was 94.6% for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - 61.2%). The increase in occupancy between periods was due primarily to lower vacancies.

Non-IFRS Measures

Funds From Operations (“FFO”) / Adjusted Funds from Operations (“AFFO”)

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Net income and comprehensive income	\$	453	\$	225	\$	1,363	\$	500
Add (deduct)								
Fair value adjustment on investment property		(378)		(137)		(1,133)		(411)
FFO	\$	75	\$	88	\$	230	\$	89
Amortization of financing costs		3		3		8		3
AFFO	\$	78	\$	91	\$	238	\$	92

Other Income and Expenses

Finance Costs

Vernon Property 2’s finance costs for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020 are summarized below.

	Three months ended September 30, 2021		Three months ended September 30, 2020		Nine months ended September 30, 2021		Nine months ended September 30, 2020	
Interest on mortgage payable	\$	40	\$	28	\$	123	\$	28
Amortization of financing costs		3		3		8		3
Total finance costs	\$	43	\$	31	\$	131	\$	31

Interest on Mortgage payable

Interest on mortgage payable for the three months ended September 30, 2021 was \$40 (three months ended September 30, 2020 - \$28), representing an increase of \$12 or 42.9%, as the mortgage commenced in August 2020.

Interest on mortgage payable for the nine months ended September 30, 2021 was \$123 (nine months ended September 30, 2020 - \$28), representing an increase of \$95 or 339.3% due to the same reason as noted above for the three months ended September 30, 2021.

Amortization of financing costs

Amortization of financing costs for the three months ended September 30, 2021 was \$3 (three months ended September 30, 2020 - \$3), consistent between periods.

Amortization of financing costs for the nine months ended September 30, 2021 was \$8 (nine months ended September 30, 2020 - \$3), as the mortgage commenced in August 2020.

Investment Property – Fair Value Adjustments

Vernon Property 2 has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

Vernon Property 2 recorded a fair value increase on the property of \$378 and \$1,133 for the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 - an increase of \$137 and \$411, respectively). Investment property fair value adjustments are impacted by changes in NOI and the capitalization rate at the Property, net of capital additions to investment property incurred during the period.

Subsequent to September 30, 2021, an agreement was entered into for the sale of Vernon Property 2 at a purchase price of \$12,550 (see “Subsequent Events”).

Capital Investments

The Property requires capital expenditures to be incurred in future periods in order to maintain the productive capacity of the Property to sustain its rental income generating potential over its useful life with such amounts estimated to be \$410 per suite per annum. In accordance with IFRS, the Property capitalizes all capital improvement expenditures which enhance the service potential of the Property and extend the useful life of the asset. These amounts may differ each period due to the seasonality and the cyclical nature of such costs and are estimated based on a combination of third-party property condition assessment reports and management’s expertise, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party’s engineering and structural expertise as well their knowledge and experience with real estate.

In addition, certain value-add capital improvements are expected to be incurred at the Property, including targeted light value-add capital expenditures to rental suites at an average cost of approximately \$850. These capital improvement initiatives are expected to be funded from cash flow from operations at the Property.

Liquidity and Capital Resources

The Property expects to be able to meet all of its obligations, including property maintenance and capital improvements. Capital improvements are performed at the discretion of the Owner, as deemed in the best interest of the Property and its Owner. The Property has financing sources to fulfill its commitments.

Cash Flows

Cash flow provided by operating activities represents the primary source of liquidity to fund debt service, capital improvements, and leasing costs. Vernon Property 2’s cash flow from operating activities is dependent upon the occupancy level of its investment property, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect Vernon Property 2’s net cash flow from operating activities and liquidity. Vernon Property 2 expects to be able to meet all of its obligations as they become due.

The following table details the changes in cash for the three and nine months ended September 30, 2021 and the three and nine months ended September 30, 2020:

	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash provided by operating activities	\$ 126	\$ 215	\$ 374	\$ 114
Cash provided by (used in) financing activities	429	(75)	129	(15)
Cash used in investing activities	(446)	(3)	(460)	(64)
Increase in cash	109	137	43	35
Cash (bank overdraft), beginning of period	17	(108)	83	(6)
Cash, end of period	\$ 126	\$ 29	\$ 126	\$ 29

Cash provided by operating activities

Cash provided by operating activities during the three months ended September 30, 2021 was \$126, which consisted primarily of NOI generated from operations. Cash provided by operating activities during the three months ended September 30, 2020 was \$215, which consisted primarily of NOI generated from operations and changes in non-cash operating working capital.

Cash provided by operating activities during the nine months ended September 30, 2021 was \$374, which consisted primarily of NOI generated from operations. Cash provided by operating activities during the nine months ended September 30, 2020 was \$114, which consisted primarily of NOI generated from operations and changes in non-cash operating working capital.

Cash provided by (used in) financing activities

Cash provided by financing activities for the three months ended September 30, 2021 was \$449, which related primarily to contributions from owners. Cash used in financing activities during the three months ended September 30, 2020 was \$75 related primarily to distributions to owners, partially offset by mortgage proceeds.

Cash provided by financing activities for the nine months ended September 30, 2021 was \$129, which related primarily to contributions from owners, partially offset by finance costs paid and mortgage principal repayment. Cash used in financing activities during the nine months ended September 30, 2020 was \$15 related primarily to distributions to owners, partially offset by mortgage proceeds.

Cash used in investing activities

Cash used in investing activities for the three months ended September 30, 2021 was \$446 (three months ended September 30, 2020 - \$3), which related to capital additions to the investment property.

Cash used in investing activities for the nine months ended September 30, 2021 was \$460 (nine months ended September 30, 2020 - \$64), which related to capital additions to the investment property.

Mortgage Payable

Vernon Property 2 is pledged as security for a mortgage entered into by the Owner. As at September 30, 2021, Vernon Property 2's mortgage payable was \$6,901. Interest accrues at 2.35% per annum and the mortgage renews in August 2030.

Mortgage payable as at September 30, 2021, September 30, 2020 and December 31, 2020 are summarized below:

	As at September 30, 2021	As at September 30, 2020	As at December 31, 2020
Mortgage payable	\$ 6,942	\$ 7,109	\$ 7,067
Less: Deferred financing costs	(41)	(53)	(49)
Total carrying value	\$ 6,901	\$ 7,056	\$ 7,018

The following table sets out scheduled principal and interest payments and amounts maturing on the mortgage over each of the next four fiscal years based on Vernon Property 2's carve-out financial statements as at September 30, 2021:

	Principal payments	Balloon payments	Total
2021 - remainder of the year	\$ 39	\$ —	\$ 39
2022	\$ 160	\$ —	\$ 160
2023	\$ 164	\$ —	\$ 164
2024 and thereafter	\$ 168	\$ 6,370	\$ 6,538
Total	\$ 531	\$ 6,370	\$ 6,901

Commitments and Contingencies

From time to time in the normal course of business, Vernon Property 2 may be involved in litigation and claims in relation to its investment property. There are no known claims in relation to the Property.

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies is provided in Note 2 of the carve-out financial statements of Vernon Property 2 as at and for the three and nine months ended September 30, 2021 and 2020 and as at December 31, 2020. The preparation of carve-out financial statements in conformity with IFRS requires estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each carve-out financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

Critical Judgments and Estimates

The preparation of Vernon Property 2's carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. There are no known trends, commitments, events or uncertainties (see "Future Outlook" regarding COVID-19) that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. The significant estimates used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

Accounting for Acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Property's acquisitions are generally determined to be asset purchases, as the Property does not acquire an integrated set of processes as part of the acquisition transaction.

Investment Properties

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

Financial Instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Property to its counterparties, the credit risk of the Property's counterparties relative to the Property, the estimated future cash flows and discount rates.

Leases

The Property makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Property has determined that all of its leases are operating leases.

Future Accounting Policy Changes

Future accounting policy changes are discussed in Vernon Property 2's carve-out financial statements for the years ended December 31, 2020 and for the periods ended September 30, 2021 and 2020 and the notes contained therein.

Future Outlook

The objective of Vernon Property 2 is to generate stable cash flows, while maximizing the Property's value through an active asset management strategy, which includes plans to stabilize operations and to establish property-specific business plans to improve NOI. There will be a focus on increasing rental rates through value-add initiatives to common areas, clubhouse and in-suite upgrades and the use of yield management software, increasing ancillary revenue, reducing operating expenses through active asset management, utilizing reputable best-in-class property managers and economies of scale.

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Another impact of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

Subsequent Events

Subsequent to September 30, 2021, the Owner entered into an agreement to sell the Property to the Fund for a purchase price of \$12,550. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

6. FINANCIAL FORECAST

The following financial forecast relates to the forecasted results of the Initial Portfolio only and does not reflect any additional acquisitions of Properties by the Fund. The financial forecast was prepared by the Fund, using assumptions with an effective date of January 1, 2022 and was approved by the Board on January 27, 2022. Pursuant to applicable securities policies, the Fund will be required to update the forecast during the forecast period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany the Fund's annual or interim MD&A for the relevant periods.

The forecast has been prepared in accordance with the rules surrounding the measurement, presentation and disclosure of financial forecasts as established by the Canadian Securities Administrators in Part 4A and 4B of NI 51-102. The forecast has been prepared using assumptions that reflect management's intended courses of action for the Fund for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering and the other transactions contemplated in this Prospectus to be completed before or shortly after the closing of the Offering. The forecast assumes the Closing Date occurred on February 22, 2022.

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecast and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the forecast period will vary from the forecast results and that such variations may be material. There is no representation that actual results achieved during the forecast period will be the same in whole or in part as those forecasts. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "Risk Factors". See also "Forward-Looking Information".

The financial forecast which follows should be read in conjunction with the Fund's unaudited pro forma consolidated financial statements, the Fund's audited financial statements and the audited financial statements of the Initial Portfolio contained in this Prospectus. See "Index to Financial Statements".



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REPORT ON CONSOLIDATED FINANCIAL FORECAST

To the Trustees of Starlight Western Canada Multi-Family (No. 2) Fund.

The accompanying consolidated financial forecast of Starlight Western Canada Multi-Family (No. 2) Fund (the "Fund"), consisting of the consolidated statement of forecasted net income and comprehensive income for each of the three-month periods ending March 31, 2022, June 30, 2022, and September 30, 2022 and December 31, 2022 and the twelve-month period ending December 31, 2022, have been prepared by management using assumptions with an effective date of January 1, 2022. We have examined the support provided by management for the assumptions, and the preparation and presentation of this consolidated financial forecast. Our examination was made in accordance with the applicable Assurance and Related Services Guideline as set out in the CPA Canada Handbook – Assurance. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of the Fund, and provide a reasonable basis for the consolidated financial forecast;
- this consolidated financial forecast reflects such assumptions; and
- the consolidated financial forecast complies with the presentation and disclosure standards for forecasts as set out in the CPA Canada Handbook - Accounting.

Since this consolidated financial forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether this consolidated financial forecast will be achieved.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
January 27, 2022

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

CONSOLIDATED STATEMENT OF FORECASTED NET INCOME AND COMPREHENSIVE INCOME
(In thousands of Canadian dollars, except per unit amounts)

	Three month period ending				Twelve month period ending December 31, 2022
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	
Revenue					
Revenue from property operations	\$2,690	\$2,708	\$2,727	\$2,753	\$10,878
Operating expenses					
Property operating costs	507	489	483	508	1,987
Realty taxes	297	297	297	296	1,187
Income from rental operations	1,886	1,922	1,947	1,949	7,704
Finance costs	1,043	1,039	1,036	1,033	4,151
Distributions to Unitholders	533	534	534	534	2,135
Fund and trust expenses	283	284	283	284	1,134
Net income and comprehensive income	\$27	\$65	\$94	\$98	\$284

See accompanying notes to consolidated statement of forecasted net income and comprehensive income.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

NOTES TO CONSOLIDATED FINANCIAL FORECAST

Three-month periods ending March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and the twelve-month period ending December 31, 2022
(In thousands of Canadian dollars, except per unit amounts)

1. Purpose of the consolidated financial forecast:

This consolidated financial forecast has been prepared by the management of Starlight Western Canada Multi-Family (No. 2) Fund for use by prospective investors in their evaluation of the initial public offering (the “Offering”) in the Fund and may not be appropriate for any other purpose.

The Fund is a “open-end fund” established pursuant to an initial declaration of trust dated November 12, 2021 under, and governed by, the laws of the Province of Ontario. The registered address of the Fund is located at 3280 Bloor Street West, Suite 1400, Toronto, Ontario, M8X 2X3. The term of the Fund is targeted to be three years, with two one-year extensions at the option of the Board. The Fund has been formed to carry out the Offering on the basis that it will initially own all of the Class A limited partnership units of Starlight Western Canada Multi-Family (No. 2) Holding LP (“Holding LP”), and all of the shares in the capital of the general partner of Holding LP.

The Fund was established for the primary purpose of directly or indirectly acquiring, owning, operating and stabilizing a portfolio primarily composed of income-producing multi-family real estate properties located on Vancouver Island and the mainland of the Province of British Columbia that demonstrate value based on pricing and local supply and demand trends to achieve the Fund’s target metrics by increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions as a result of active asset management, and are located primarily on Vancouver Island and the mainland of the Province of British Columbia. The Fund will initially indirectly acquire, through the Holding LP, a 100% interest in 733 Goldstream Avenue in Langford, British Columbia (the “Langford Property”), 6035 Linley Valley Drive and 4800 Uplands Drive in Nanaimo, British Columbia (the “Nanaimo Property”), 2699 Peatt Avenue in Langford, British Columbia (“Langford Property 2”), 3400 Centennial Drive in Vernon, British Columbia (the “Vernon Property”) and 1803 31A Street in Vernon, British Columbia (“Vernon Property 2”, together with the Langford Property, Nanaimo Property, Langford Property 2 and Vernon Property, the “Initial Portfolio”) for a combined 495 multi-family residential suites.

2. Basis of presentation of financial forecast:

The consolidated financial forecast consists of the consolidated statement of forecasted net income and comprehensive income of the Fund for the three-month periods ending March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and the twelve-month period ending December 31, 2022. The financial forecast has been prepared using assumptions with an effective date of January 1, 2022 and reflects the significant assumptions described in note 4.

The consolidated financial forecast has been prepared using assumptions that reflect the Fund’s intended course of action for the periods presented, given management’s judgment as to the most probable set of economic conditions.

The consolidated financial forecast will be compared with the reported results for the financial forecast periods and any significant differences will be disclosed. The actual results achieved during the financial forecast periods will vary from the forecasted results, and these variations may be material.

The consolidated financial forecast has been authorized for issue by the Board on January 27, 2022.

3. Summary of significant accounting policies:

The consolidated financial forecast has been prepared in accordance with the significant accounting policies set out below. These policies are expected to be used to prepare the Fund’s consolidated financial statements.

(a) Statement of compliance

The consolidated financial forecast has been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

(b) Basis of presentation and consolidation:

The consolidated financial forecast has been presented in Canadian dollars, which is the Fund’s functional currency and comprises the financial forecasted amounts of the Fund and its subsidiaries. A subsidiary is an entity over which the Fund has control. Control exists when the Fund has power over an entity, exposure or rights to variable returns from the Fund’s involvement with the entity and the ability to use its power over the entity to affect the amount of the Fund’s returns.

The financial statements of the subsidiaries are prepared for the same reporting periods as the Fund using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

NOTES TO CONSOLIDATED FINANCIAL FORECAST

Three-month periods ending March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and the twelve-month period ending December 31, 2022
(In thousands of Canadian dollars, except per unit amounts)

3. Summary of significant accounting policies (continued):

(c) Investment properties:

A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties will be carried at fair value. Gains or losses arising from changes in fair value will be recognized in profit and loss during the period in which they arise.

Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals. Subsequent capital expenditures are charged to investment properties only when it is probable that the future economic benefits of the expenditure will flow to the Fund and the cost can be measured reliably.

As disclosed in note 4(g), the financial forecast does not reflect any changes in the fair values of the investment properties.

(d) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from the investment property includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income and all other incidental income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

(e) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVOCI"). Financial instruments are recognized initially at fair value. Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost and (ii) FVTPL. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss.

All derivative instruments, including embedded derivatives, are recognized in the financial statements at fair value. Tenant receivables, accounts payable and accrued liabilities and mortgages payable are recognized at amortized cost.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

NOTES TO CONSOLIDATED FINANCIAL FORECAST

Three-month periods ending March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and the twelve-month period ending December 31, 2022
(In thousands of Canadian dollars, except per unit amounts)

3. Summary of significant accounting policies (continued):

(e) Financial instruments (continued):

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(f) Trust units

The Fund's trust units are redeemable at the holder's option and therefore are considered to be puttable instruments in accordance with IAS 32, Financial Instruments: Presentation. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met in accordance with IAS 32, in which case the puttable instruments may be presented as equity. The Fund's trust units will not meet this exception.

(g) Finance costs and distributions to Unitholders:

Finance costs comprise interest expense on borrowings and amortization of mortgage transaction costs. Finance costs associated with financial liabilities presented at amortized cost are recognized in net income and comprehensive income using the effective interest method. Distributions to Unitholders are recognized into net income and comprehensive income in the period in which they are declared.

(h) Income taxes:

The Fund qualifies as a Mutual Fund Trust for Canadian income tax purposes pursuant to the Income Tax Act (Canada) (the "Tax Act"). In accordance with the terms of the Declaration of Trust, the Fund intends to distribute its income for income tax purposes each year to such an extent that it will not be liable for income taxes under Part I of the Tax Act. The Fund is eligible to claim a tax deduction for distributions paid and, intends to continue to meet the requirements under the Tax Act. Accordingly, no provision for income taxes payable is required or has been made. Income tax obligations relating to distributions of the Fund are the obligations of the Unitholders.

(i) Sources of estimation:

The preparation of the consolidated financial forecast requires management to make assumptions and estimates that affect the reported amounts of revenue and expenses during the forecasted period. Actual results could differ from those estimates. The key assumptions used in this consolidated financial forecast relate to revenue and expenses as outlined in Note 4.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

NOTES TO CONSOLIDATED FINANCIAL FORECAST

Three-month periods ending March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and the twelve-month period ending December 31, 2022
(In thousands of Canadian dollars, except per unit amounts)

4. Significant assumptions:

The assumptions used in the preparation of the consolidated financial forecast although considered reasonable by the Fund, require significant judgments to be made about future events, which may not materialize as forecasted. It is not possible to forecast unanticipated events and circumstances.

(a) The Offering:

This financial forecast assumes that the Fund will raise gross proceeds of \$61,000 pursuant to the Offering through the issuance of the Canadian denominated units consisting of \$38,250 of Class A Units at \$10 per Unit, \$12,750 of Class B Units at \$10 per Unit and \$10,000 of Class C Units at \$10 per Unit. Costs relating to the Offering, including agent fees forecasted to be \$1,530 and other offering costs forecasted to be \$1,042 (inclusive of 13% Harmonized Sales Tax ("HST")), are recorded as a reduction of net assets available to Unitholders.

For purposes of the financial forecast, it is assumed that the closing of the transactions contemplated by this Prospectus occur on or about January 1, 2022. However, the actual closing date may differ.

(i) Acquisitions:

The fair value of the net assets indirectly acquired by the Fund for the Initial Portfolio are combined below assuming the acquisitions occurred on January 1, 2022:

Investment properties ⁽¹⁾	\$ 197,887
Tenant receivables and other receivables, net	297
Prepaid expenses and other assets	191
Restricted cash	609
Accounts payable and accrued liabilities	(2,817)
Net asset acquired for cash	<u>\$ 196,167</u>

Consideration given by the Fund consists of the following:

Cash paid	<u>\$ 196,167</u>

- (1) Investment properties of \$197,887 reflects the purchase price of \$24,900 for the Langford Property, \$105,100 for the Nanaimo Property, \$32,900 for Langford Property 2, \$18,250 for the Vernon Property and \$12,550 for Vernon Property 2, an aggregate purchase price of \$193,700, as well as acquisition and real estate closing related costs of \$4,187.

The actual calculation and allocation of the purchase price outlined above will be based on the assets purchased and liabilities assumed on the effective date of the acquisitions and other information available at those dates. Accordingly, the actual amounts for each of these assets and liabilities may vary from the above amounts and the variation may be material.

(ii) Debt:

The Langford Property is expected to close with a new first mortgage of \$6,759 with costs incurred of approximately \$20 to obtain the mortgage. The mortgage is expected to have an initial term of two years and bear interest at the one-month Canadian Dollar Offered Rate ("CDOR") plus 2.00%, with interest-only payments until maturity.

The Langford Property is also expected to close with an assumed second mortgage of \$11,916. The mortgage will have an initial term of 83 months and will bear interest at a fixed rate of 2.00%, with interest and principal payments until maturity. The costs to be incurred associated with the assignment of the mortgage to the Fund are approximately \$30.

The Nanaimo Property is expected to close with a new first mortgage to the Fund of \$70,673 with costs incurred of approximately \$3,170 to obtain the mortgage. The mortgage will have an initial term of five years and is expected to bear interest at a fixed rate of 2.00%, with interest and principal payments until maturity.

The Nanaimo Property is also expected to close with a new second mortgage to the Fund of \$8,152 with costs incurred of approximately \$24 to obtain the mortgage. The mortgage will have an initial term of two years and is expected to bear interest at the one-month CDOR plus 2.00%, with interest-only payments until maturity.

Langford Property 2 is expected to close with a new first mortgage of \$10,331 with costs incurred of approximately \$31 to obtain the mortgage. The mortgage is expected to have an initial term of two years and bear interest at the one-month CDOR plus 2.00%, with interest-only payments until maturity.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

NOTES TO CONSOLIDATED FINANCIAL FORECAST

Three-month periods ending March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and the twelve-month period ending December 31, 2022
(In thousands of Canadian dollars, except per unit amounts)

4. Significant assumptions (continued):

(a) The Offering (continued):

(ii) Debt (continued):

Langford Property 2 is also expected to close with an assumed second mortgage of \$14,344. The mortgage will have an initial term of 39 months and will bear interest at a fixed rate of 3.91%, with interest and principal payments until maturity. The costs to be incurred associated with the assignment of the mortgage to the Fund are approximately \$36.

The Vernon Property is expected to close with a new first mortgage of \$4,468 with costs incurred of approximately \$13 to obtain the mortgage. The mortgage is expected to have an initial term of two years and bear interest at the one-month CDOR plus 2.00%, with interest-only payments until maturity.

The Vernon Property is also expected to close with an assumed second mortgage of \$9,219. The mortgage will have an initial term of 91 months and will bear interest at a fixed rate of 3.34%, with interest and principal payments until maturity. The costs to be incurred associated with the assignment of the mortgage to the Fund are approximately \$23.

Vernon Property 2 is expected to close with a new first mortgage of \$2,555 with costs incurred of approximately \$8 to obtain the mortgage. The mortgage is expected to have an initial term of two years and bear interest at the one-month CDOR plus 2.00%, with interest-only payments until maturity.

Vernon Property 2 is also expected to close with an assumed second mortgage of \$6,858. The mortgage will have an initial term of 103 months and will bear interest at a fixed rate of 2.35%, with interest and principal payments until maturity. The costs to be incurred associated with the assignment of the mortgage to the Fund are approximately \$17.

For purposes of the financial forecast, the Fund has assumed that the one-month CDOR for the first year is approximately 0.44% and mortgage commencement dates of January 1, 2022.

(iii) Sources and uses of cash:

The Fund's sources and uses of cash after the completion of the Offering based on gross proceeds of \$61,000 and the acquisition of the Initial Portfolio are as follows:

Sources:

Proceeds from the Offering	\$ 61,000
Proceeds from new and assumed mortgage financing (note 4 (a)(ii))	145,275

Uses:

Purchase of the Initial Portfolio	\$ (196,167)
Offering costs	(1,042)
Agent fees	(1,530)
Financing costs - new mortgages	<u>(3,372)</u>

Excess cash in the Fund **\$ 4,164**

(b) Rental revenue:

Forecasted revenue from investment properties is based on rents from existing leases, as well as expected changes in revenue from the lease-up of units that are vacant or due to become vacant due to lease expirations. Lease terms are normally for one year.

Rents for retained tenants are calculated by increasing in-place rents to expected market rates upon lease expiry. The Forecast assumes an average of approximately 3.0% rental growth for all properties over the first twelve months. The physical occupancy rate during the forecast period is assumed to be 97.9%. The Forecast also reflects historical levels of ancillary income. Existing tenants are assumed to fulfill their current contractual lease obligations and remain in occupancy and pay rent for the term of their leases. Upon the expiry of their leases, approximately 50% of existing tenants are assumed to be retained based on a historical retention factor.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

NOTES TO CONSOLIDATED FINANCIAL FORECAST

Three-month periods ending March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and the twelve-month period ending December 31, 2022
(In thousands of Canadian dollars, except per unit amounts)

4. Significant assumptions (continued):

(c) Operating costs:

Operating costs have been forecasted with reference to the operating plans and budgets for the acquisitions of the Initial Portfolio. The Forecast reflects historical data, anticipated changes, adjusted for changes in costs due to inflation and other market trends. The major components of operating costs consist of realty taxes, utilities, repairs and maintenance, insurance, salaries and property management fees. Repairs and maintenance operating cost assumptions include estimates of costs, which would qualify as expenses under IFRS, that are included in property condition assessment reports prepared by third party consultants which are expected to be required to be incurred by the Fund.

(d) Finance costs and distributions to Unitholders:

Finance costs will primarily include interest expense on the mortgages payable outlined in note 4(a)(ii) and the related amortization associated with financing fees, including:

	Three month period ending (Forecast)				Twelve month period ending December 31, 2022 (Forecast)
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	
Interest expense	\$ 866	\$ 863	\$ 860	\$ 857	\$ 3,446
Interest on tenant deposits	4	3	3	4	14
Amortization of financing costs	173	173	173	172	691
Finance costs	\$ 1,043	\$ 1,039	\$ 1,036	\$ 1,033	\$ 4,151

Distributions to Unitholders have been estimated based on the size of the Offering proceeds of \$61,000 and an allocation of Units based on the Fund receiving expressions of interest from Starlight Group and certain investors known to Starlight Investments CDN AM Group LP (the "Manager") and a distribution yield of 3.5% annually for all Classes of Units in Canadian dollars.

(e) Fund and trust expenses:

Fund and trust expenses are forecasted based on management's best estimates with reference to the Fund's plans and budgets and relate to the day-to-day administration of the Fund. The expenses will include legal and audit fees, trustee fees, investor relations and reporting costs, transfer agent fees, directors and officer's insurance costs and Asset Management Fees. Excluding Asset Management Fees, the Fund and trust expenses are expected to be \$368 for the twelve months ended December 31, 2022.

(f) Acquisitions and dispositions of investment properties:

This Forecast does not reflect any potential acquisitions or dispositions of multi-family residential properties other than the acquisition of the Initial Portfolio. However, it is contemplated that the Fund could make acquisitions and/or dispositions of investment properties during the forecast period which will only be undertaken on a basis considered by the Fund to be advantageous to the Fund.

(g) Fair value change in investment properties:

The Fund will apply the fair value model to account for investment properties, requiring the fair value of the properties to be determined at each reporting period. For financial reporting purposes, fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the financial forecast does not reflect any changes in fair values of the investment properties, including the expensing of any acquisition-related costs anticipated to be incurred in conjunction with the acquisition of the Initial Portfolio.

Assuming all other variables remain constant, a 25-basis point decrease in the overall capitalization rate of the investment properties would result in a fair value increase of approximately \$12,802 for the twelve-month period ended December 31, 2022 based on the projected forecast. A 25-basis point increase in the overall capitalization rate of the investment properties would result in a fair value decrease of approximately \$11,301 for the twelve-month period ended December 31, 2022 based on the projected forecast.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

NOTES TO CONSOLIDATED FINANCIAL FORECAST

Three-month periods ending March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and the twelve-month period ending December 31, 2022
(In thousands of Canadian dollars, except per unit amounts)

4. Significant assumptions (continued):

(h) Income taxes:

The Fund intends to meet the requirements under the Tax Act and the Fund intends to distribute its income for income tax purposes each year to such an extent that it will not be liable for Canadian income taxes under Part I of the Tax Act. Accordingly, in the consolidated financial forecast, the Fund has not recorded a provision for current income taxes or deferred income taxes in respect of the assets, liabilities or earnings of the Fund.

(i) Other assumptions:

No other significant changes in economic conditions and government legislation with respect to taxes, including real estate taxes, laws and regulations, other than announced changes, are assumed during the forecast period.

(j) Impact of COVID-19:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The spread of COVID-19 has had a material and substantial impact on the Canadian and global economy.

The global outbreak of COVID-19 has had a significant impact on businesses through the restrictions put in place by Canadian federal, provincial and municipal governments regarding travel, business operations and isolation and stay at home orders. The overall extent of the impact COVID-19 may have on the Fund will depend on future developments that are highly uncertain, and it is not possible to reliably estimate with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of COVID-19, including the duration of travel restrictions, business closures or disruptions and isolation measures that are currently, or may be put in place by Canadian federal, provincial and municipal governments.

5. Related party transactions:

The consolidated financial forecast includes the following transactions with the Manager in Fund and trust expenses:

(a) Asset Management Fees:

Asset management fees of \$766, inclusive of HST, will be paid by the Fund and/or the Holding LP to the Manager pursuant to the Management Agreement, establishing fees at 0.35% of the Gross Asset Value of the properties payable on a monthly basis in arrears in cash on the first day of each month.

(b) Acquisition Fee:

In consideration for providing financing and other services in connection with the acquisition of the properties, the Fund and/or the Holding LP will pay the Manager an acquisition fee of \$2,189 upon the completion of the purchase of the Initial Portfolio. The acquisition fee is included in the consideration paid for the investment properties in note 4(a)(i) and is equal to 1.00% + HST of the purchase price paid by the Fund for the purchase of a multi-family property.

(c) Guarantee Fee:

In the event the Manager or any of its affiliates is required by the lenders to provide a financing guarantee in connection with an amount borrowed by the Fund or its Subsidiaries relating to a Property, the Fund and/or the Holding LP will, in consideration for providing such guarantee, pay the Manager, in the aggregate an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds borrowed by the Fund and its Subsidiaries ("Guarantee Fee"), which Guarantee Fee shall be calculated and payable to the Manager or its appointee on a monthly basis in arrears in cash on the first day of each month. As the Manager and its affiliates are not expected to provide a guarantee to lenders during the forecast period, no Guarantee Fee was included in the twelve-month period ended December 31, 2022 based on the projected forecast.

(d) Carried Interest:

D.D. Acquisitions Partnership (as holder of the Holding LP Class B Units) is entitled to (i) an aggregate amount equal to 25% of the total of all amounts each of which is the amount, if any, by which (A) the aggregate amount of distributions which would have been paid on all Units of a particular class if all Distributable Cash of the Holding LP was received by the Fund (including through the Holding GP), together with all other amounts distributable by the Fund (including Distributable Cash generated by investees of the Fund not held through the Holding LP, if any), and distributed by the Fund (net of any amounts required to provide for expenses) to Unitholders of the Fund in accordance with the Declaration of Trust, exceeds (B) the aggregate Minimum Return (being 7.0%) in respect of such

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

NOTES TO CONSOLIDATED FINANCIAL FORECAST

Three-month periods ending March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022 and the twelve-month period ending December 31, 2022
(In thousands of Canadian dollars, except per unit amounts)

5. Related party transactions (continued):

(d) Carried Interest (continued):

class of Units (the calculation of which includes the amount of the Investors Capital Return Base), provided that, to the extent that the aggregate amount of distributions which would have been paid on all Units of a particular class pursuant to the foregoing exceeds the Minimum Return for such class, D.D. Acquisitions Partnership will first be entitled to an aggregate amount equal to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable to Unitholders of each class in excess of the Investors Capital Return Base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by D.D. Acquisitions Partnership in respect of such class, and, if more than one series of a class of Units is issued subsequent to the Closing Date, the foregoing calculations and distributions will be separately determined on the basis of each such series.

(e) Acquisition of the Initial Portfolio:

The Fund will indirectly acquire the Langford Property and Nanaimo Property from an entity asset managed and partially owned by an affiliate of the Manager. The Manager is owned and controlled by an entity ultimately controlled by Daniel Drimmer, CEO of the Manager and indirect minority owner of the Properties.

The Vernon Property, Vernon Property 2 and Langford Property 2 will be indirectly acquired by the Fund from a non-related party.

6. Commitments and Contingencies:

In connection with the Offering, the Fund has agreed to indemnify the Agents against certain liabilities, including liabilities under Applicable Law, or to contribute to payments the Agents may be required to make in respect of those liabilities.

7. USE OF PROCEEDS

Following the completion of the Offering, the Fund intends to acquire the Initial Portfolio using the Investable Funds through the acquisition of the Holding LP Class A Units.

Assuming the Minimum Offering is sold, the Gross Subscription Proceeds will be \$61,000,000 (net proceeds of \$58,427,575 after deduction of the expenses of the Offering (including Agents' Fee) estimated to be \$2,572,425) and assuming the Maximum Offering is sold, the Gross Subscription Proceeds will be \$130,000,000 (net proceeds of \$125,357,575 after deduction of the expenses of the Offering (including Agents' Fee) estimated to be \$4,642,425). The Fund will use the net proceeds to acquire Holding LP Class A Units. The Fund may also temporarily hold cash and investments for the purposes of paying its expenses and liabilities and making distributions to Unitholders.

The Holding LP will invest a portion of the proceeds from the issuance of Holding LP Class A Units to the Fund to directly or indirectly acquire the Initial Portfolio. As a result, an investment in Units will be an indirect investment in the acquisition, ownership and operation of the Properties, and the returns from the Properties will ultimately flow through to Unitholders (and, where applicable, any other Persons having a direct or indirect interest in such amounts, including the Holding GP through its general partnership interest in the Holding LP and D.D. Acquisitions Partnership through the Holding LP Class B Units).

The following table shows the intended use by the Fund of the gross proceeds from the issuance of Units in the case of the completion of the Minimum Offering, an aggregate proceeds of \$61,000,000 and the Maximum Offering.

(\$)	Assuming Minimum Offering (\$)	Assuming Maximum Offering (\$)
Sources of Funds		
Proceeds from issuance of Units	61,000,000	130,000,000
Mortgage Loans ⁽¹⁾	145,275,000	310,275,000
Total Sources of Funds:	<u>206,275,000</u>	<u>440,275,000</u>
Uses of Funds		
Agents' Fee.....	1,530,000 ⁽²⁾	3,600,000 ⁽³⁾
Estimated expenses of this Offering (legal, accounting and audit, tax advice, printing, travel, securities filings).....	1,042,425	1,042,425
Purchase Price of the Initial Portfolio ⁽⁴⁾	193,700,000	193,700,000
• The Langford Property ⁽⁵⁾	24,900,000	24,900,000
• The Nanaimo Property ⁽⁵⁾	105,100,000	105,100,000
• The Langford Property 2	32,900,000	32,900,000
• The Vernon Property.....	18,250,000	18,250,000
• The Vernon Property 2.....	12,550,000	12,550,000
Real Estate Closing Costs ⁽⁶⁾	7,559,304	17,805,328
Additional Properties.....	Nil	220,000,000
Capital Expenditures	Nil	Nil
Unallocated working capital.....	2,443,271	4,127,247
Total Use of Funds:	<u>206,275,000</u>	<u>440,275,000</u>

Notes:

- (1) The Holding LP expects to finance a portion of the purchase price for the Properties with Mortgage Loans on the Properties from third party lenders. Assuming the Minimum Offering is raised, the Mortgage Loans will consist of first Mortgage Loans on each of the Initial Properties. In the case of the Maximum Offering, Mortgage Loans will consist of first Mortgage Loans on the Initial Properties and Mortgage Loans in respect of certain of the subsequently acquired additional Properties.
- (2) Assumes that \$38,250,000 of Class A Units, \$12,750,000 of Class B Units and \$10,000,000 of Class C Units are issued pursuant to this Prospectus, but will actually be calculated based on the subscription proceeds received from the issuance of Class A Units, Class B Units and Class C Units.
- (3) Assumes that \$90,000,000 of Class A Units, \$30,000,000 of Class B Units, and \$10,000,000 of Class C Units are issued pursuant to this Prospectus, but will actually be calculated based on the subscription proceeds received from the issuance of Class A Units, Class B Units and Class C Units.
- (4) Before closing adjustments.
- (5) The Nanaimo Property and the Langford Property are being indirectly acquired by the Fund from an entity managed and partially owned by an Affiliate of the Manager. The overall effective purchase price for the Properties is below the cumulative appraised value of the Initial Portfolio.
- (6) Assuming the Minimum Offering is raised, real estate closing costs will consist of the real estate closing costs associated with the Initial Properties, as well as the Acquisition Fee payable to the Manager. In the case of the Maximum Offering, real estate closing costs will consist of the real estate closing costs associated with the Initial Properties and estimated real estate closing costs in respect of the subsequently acquired additional

Properties, as well as the Acquisition Fee payable to the Manager. Real estate closing costs includes all upfront debt fees associated with the acquisition of any Properties.

For more details on the acquisition of the Initial Portfolio, and the debt financing to be assumed or incurred by the Fund in connection with such acquisition, see “Description of the Activities of the Fund – The Initial Portfolio”.

The Manager is targeting deployment of the unallocated portion of the net proceeds of the Offering and any concurrent private placements (after completion of the acquisition of the Initial Portfolio), together with indebtedness, to fund the acquisition of one or more additional Properties within six months following the Closing Date.

The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund’s criteria for acquisition. Pending its investment in the acquisition of Properties, the unallocated portion of the net proceeds of the Offering and any concurrent private placements and other funds not fully invested in the Properties from time to time will be held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and otherwise as permitted pursuant to the Investment Restrictions and Operating Policies of the Fund, under the supervision of the Board and the Manager.

8. DESCRIPTION OF THE SECURITIES DISTRIBUTED

The Fund is offering a maximum of \$130,000,000 of Units, at a purchase price of \$10.00 per Unit.

8.1 Units

The rights and obligations of the Unitholders are governed by the Declaration of Trust. The following is a summary of certain material provisions of the Declaration of Trust. This summary does not purport to be complete and reference should be made to the Declaration of Trust itself, a copy of which is available from the Fund during the period of distribution of the Units and will be available at www.sedar.com.

Capitalized terms in this summary which are not defined in this Prospectus are defined in the Declaration of Trust.

Units

The beneficial interests in the Fund are divided into three classes of Units: Class A Units; Class B Units; and Class C Units. The Fund is authorized to issue an unlimited number of Units of each class and series. The issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without notice to or the approval of the Unitholders.

The Units are denominated in Canadian dollars and Unitholders will receive distributions in Canadian dollars. The Class B Units are designed for fee-based accounts and differ from the Class A Units in that the Class B Units are not required to pay the selling concession. The Class C Units are designed for senior management of the Manager, certain other investors known to the Manager, and the Lead Investors, if any, and differ from the Class A Units in that the Class C Units are not required to pay the Agents’ Fee or any selling concession. The investment in Class C Units by senior management of the Manager, as well as the Trustees, will further align the interests of the Manager and the Trustees with those of Unitholders.

Except as described above, each Unit entitles the holder to the same rights and obligations and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units, subject to (i) the proportionate entitlement of each holder of Class A Units, Class B Units and Class C Units to participate in distributions made by the Fund and to receive proceeds upon termination of the Fund, based on such holder’s share of the Proportionate Class A Interest, Proportionate Class B Interest and Proportionate Class C Interest, respectively (subject in each case to adjustment to reflect the Unit Class Expenses allocable to each respective class or series, as applicable), and (ii) a proportionate allocation of income of the Fund in accordance with the terms of the Declaration of Trust.

On termination or liquidation of the Fund, each Unitholder of record is entitled to receive on a proportionate basis based on such holder’s share of the Proportionate Class A Interest, Proportionate Class B Interest and Proportionate Class C Interest, respectively, (subject in each case to adjustment to reflect the Unit Class Expenses allocable to each respective class or series, as applicable) all of the assets of the Fund remaining after payment of or provisions made for all debts, liabilities and liquidation expenses of the Fund.

Non-Certificated Inventory System and Transfers of Units

Other than pursuant to certain exceptions, registration of interests in and transfers of Units held through CDS, or its nominee, will be made electronically through the NCI system of CDS. On the Closing Date, the Fund, via its transfer agent, will electronically deliver the Units registered to CDS or its nominee. Units held in CDS must be purchased, transferred and surrendered for redemption through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of Unitholders who hold Units in CDS must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS participant through which the Unitholder holds such Units. A holder of a Unit participating in the NCI system will not be entitled to a certificate or other instrument from the Fund or the Fund's transfer agent evidencing that person's interest in or ownership of Units, nor, to the extent applicable, will such Unitholder be shown on the records maintained by CDS, except through an agent who is a CDS participant.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS participant) may be limited due to the lack of a physical certificate.

Any purported transfer of a Unit on a "public market", as defined for purposes of the SIFT Rules, shall be considered void *ab initio*.

Limitation on Non-Resident Ownership

Non-Residents will not be permitted to be the beneficial owners of more than 49% of the Units (on a number of Units or fair market value basis) and the Board will inform the transfer agent and registrar of this restriction. The Board may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Board becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Units then outstanding (on a number of Units or fair market value basis) are, or may be, Non-Residents or that such a situation is imminent, the Board shall inform the transfer agent and the transfer agent shall not accept a subscription for Units from or issue Units to a person unless the person provides a declaration that the person is not a Non-Resident. If, notwithstanding the foregoing, the Board determines that more than 49% of the Units (on a number of Units or fair market value basis) are held by Non-Residents, the Board may send a notice to Non-Resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Board may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Board with satisfactory evidence that they are not Non-Residents within such period, the Board may, on behalf of such Unitholders sell such Units and, in the interim, suspend the voting and distribution rights attached to such Units. Upon such sale the affected holders will cease to be holders of Units and their rights will be limited to receiving the net proceeds of sale, subject to the right to receive payment of any distribution declared by the Board which is unpaid and owing to such Unitholders. The Board will have no liability for the amount received provided that they act in good faith. The Fund may direct its transfer agent to assist the Board with respect to any of the foregoing.

Distributions

Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing and amounts of distributions including the adoption, amendment or revocation of any distribution policy.

The Fund will target an annual pre-tax distribution yield of 3.0% to 4.0% on Gross Subscription Proceeds across all Unit classes and aim to realize a minimum 12% pre-tax investor internal rate of return across all Unit classes upon disposition (directly or indirectly) of the Fund's interests in its assets at or before the end of the targeted three-year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class (or series, as applicable) of Unit and applicable Unit Class Expenses. See "Risk Factors". An annual pre-tax distribution yield of 3.0% to 4.0% on Gross Subscription Proceeds would represent an expected AFFO payout ratio in the first year of operations of approximately 61% to 74%, assuming the Minimum Offering is achieved and based on the applicable Agents' Fee and costs of the Offering. The target AFFO payout ratio in the first year of operations, assuming the Maximum Offering is achieved and all funds are fully deployed, is forecasted to be 50% to 67%.

The achievement of the 12% pre-tax investor internal rate of return is based on the following assumptions:

- (a) in aggregate, the Sample Target Properties are acquired for approximately \$220,000,000 with a 4.25% Capitalization Rate;

- (b) the acquisitions of the Sample Target Properties are partially financed by way of Mortgage Loans that in an aggregate amount equal to, on average, approximately 75% of each Sample Target Property's value and at an average interest rate of approximately 2.1%;
- (c) real estate closing costs in respect of each Sample Target Property are approximately 5.5% of the purchase price; annual interest payments and general and administrative expenses and asset management fees in respect of each Sample Target Property are equal to approximately 2.0% of the purchase price; and
- (d) capital appreciation of approximately 10% in respect of each Sample Target Property (which is to be realized from approximately 10% NOI growth).

Accordingly, the pre-tax, investor internal rate of return from the Sample Target Property would comprise approximately 21% from ongoing distributions and excess cash flow and 79% from capital appreciation.

The monthly distribution on the Units will commence following the end of the Fund's first full operating month after the Closing Date. The first distribution is expected to be paid in April 2022 following the Fund's first full month of operations, which is expected to commence in March 2022, and will be paid on a pro-rated basis for the full period from the Closing Date until the end of the Fund's first full operating month after the Closing Date. The distribution amount per Unit will be determined in accordance with the Declaration of Trust. Thereafter, the Fund intends to declare monthly cash distributions no later than seven Business Days prior to the end of each month, payable within 15 days following the end of the month (or the next Business Day if not a Business Day) in which the distribution is declared to Unitholders as at month-end. In the event the Gross Subscription Proceeds are greater than \$61,000,000, the net proceeds from the Offering and any concurrent private placements will be in excess of the amount required to complete the purchase of the Initial Portfolio and, therefore, initially, not all of the net proceeds from the Offering and any concurrent private placements will be deployed by the Fund to directly or indirectly acquire interests in income-producing properties. The net proceeds from the Offering and any concurrent private placements which exceed the amount required to complete the purchase of the Initial Portfolio are not expected to have an impact on Distributable Cash Flow and, accordingly, until such excess funds are deployed by the Fund to directly or indirectly acquire interests in income-producing property, the annualized pre-tax distribution yield per Unit may be less than the targeted yield per Unit. See "Risk Factors".

In the event that any day on which any distribution amount is to be determined is not a Business Day, then such amount shall be determined on the next succeeding day that is a Business Day.

Notwithstanding the distribution policy, the Trustees retain full discretion with respect to the timing and quantum of distributions.

Following closing of the Offering and the acquisition of the Initial Portfolio, the Fund will initially own all of the issued and outstanding Holding LP Class A Units. Holders of Holding LP Class A Units will be entitled to receive all the Distributable Cash, less the amount to be paid to D.D. Acquisitions Partnership as holder of the Holding LP Class B Units in respect of the Carried Interest.

Through D.D. Acquisitions Partnership (as holder of the Holding LP Class B Units), Daniel Drimmer is indirectly entitled to the Carried Interest, being (i) an aggregate amount equal to 25% of the total of all amounts each of which is the amount, if any, by which (A) the aggregate amount of distributions which would have been paid on all Units of a particular class if all Distributable Cash of the Holding LP was received by the Fund (including through the Holding GP), together with all other amounts distributable by the Fund (including Distributable Cash generated by investees of the Fund not held through the Holding LP, if any), and distributed by the Fund (net of any amounts required to provide for expenses) to Unitholders of the Fund in accordance with the Declaration of Trust, exceeds (B) the aggregate Minimum Return (being 7.0%) in respect of such class of Units (the calculation of which includes the amount of the Investors Capital Return Base), provided that, to the extent that the aggregate amount of distributions which would have been paid on all Units of a particular class pursuant to the foregoing exceeds the Minimum Return for such class, D.D. Acquisitions Partnership will first be entitled to an aggregate amount equal to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable to Unitholders of each class in excess of the Investors Capital Return Base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by D.D. Acquisitions Partnership in respect of such class, and, if more than one series of a class of Units is issued subsequent to the Closing Date, the foregoing calculations and distributions will be separately determined on the basis of each such series.

If the Board determines it is in the best interests of the Fund to make a co-investment with a Canadian real estate investment trust, such a co-investor would be expected to subscribe for Holding LP Units and be entitled to receive distributions on the same terms as the Fund described above, based on its proportionate investment in the Holding LP. Ultimately, it is

expected that any co-investor will seek to structure their investment in a tax efficient manner, which could result in a different approach from the approach described above.

If and when declared by the Trustees, the amount of the distributions payable in respect of each Unit will differ and be allocated based on, initially, the proportionate interest of the Fund attributable to each class (or series, as applicable) and determined, from time to time, as follows:

- (a) the product of the Proportionate Class A Interest and the balance of the Distributable Cash Flow (the “**Distributable Cash Flow Balance**”) shall be distributed to the holders of Class A Units, *pro rata* in accordance with their respective proportionate shares;
- (b) the product of the Proportionate Class B Interest and the Distributable Cash Flow Balance shall be distributed to the holders of Class B Units, *pro rata* in accordance with their respective proportionate shares; and
- (b) the product of the Proportionate Class C Interest and the Distributable Cash Flow Balance shall be distributed to the holders of Class C Units, *pro rata* in accordance with their respective proportionate shares,

in each case adjusted to reflect the Unit Class Expenses allocable to each respective class or series, as applicable.

The ability of the Fund to make cash distributions on the Units and the actual amount distributed will depend on the ability of the Fund to directly or indirectly acquire the Properties as well as the ongoing operations of the Properties, and will be subject to various factors including those referenced in the “Risk Factors” section of this Prospectus. The aggregate Minimum Return (determined on a per Unit basis, and calculated including the amount of the Investors Capital Return Base) for distribution proportionately to the Unitholders, including, for greater certainty, on termination of the Fund, after payment of all Fund expenses, (i) is based on a 7.0% per annum return on the net subscription proceeds received by the Fund from the issuance of each Unit and (ii) is a preferred return, payable prior to payment of any amounts pursuant to the Carried Interest, but (iii) is not guaranteed and may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder’s original investment, are not guaranteed and the anticipated return on investment is based upon many performance assumptions.

The Fund may designate for the purposes of the Tax Act capital gains realized by the Fund as a result of the redemption of Units (including any capital gains realized by the Fund on an *in specie* redemption of Units) as being paid to the redeeming Unitholders, with the result that the taxable portion of such gains generally may be deductible by the Fund. In addition, on the redemption of Units, the Fund may in its sole discretion, designate payable to a redeeming Unitholder, the Unitholder’s proportionate share at the time of the redemption of any capital gains realized by the Fund in the taxation year in which the redemption occurred. Any such allocations and designations will reduce the proceeds of disposition otherwise payable to the redeeming Unitholder of the Units redeemed but, for greater certainty, will not reduce the amount paid to the redeeming Unitholder in connection with the redemption. However, pursuant to recent amendments to the Tax Act, the Fund generally will not be entitled to a deduction in computing its income in respect of amounts allocated to redeeming Unitholders in respect of taxable capital gains to the extent that the allocated amount is greater than the taxable capital gain that would otherwise have been realized by the redeeming Unitholder on the redemption (as determined by the Trustees using reasonable efforts to obtain the information required to determine the Unitholder’s cost amount). As a result, the taxable component of distributions by the Fund to non-redeeming Unitholders may be adversely affected. The Fund intends, to the extent possible, to administer the redemption of Units in such a manner that no deduction by the Fund should be denied under this provision.

Distributions payable to Unitholders pursuant to the Declaration of Trust shall be deemed to be distributions of income of the Fund, net realized taxable capital gains of the Fund, Fund capital or other items in such amounts as the Board, in its absolute discretion, determines and shall be so designated, where required, and allocated to the Unitholders in the same proportions as distributions received by the Unitholders, subject to the discretion of the Board to adopt an allocation method which the Board considers to be more reasonable in the circumstances. For greater certainty, any distribution of net realized capital gains of the Fund shall include the non-taxable portion of the capital gains of the Fund which are included in such distribution.

If, on a Distribution Payment Date, the Board determines that the Fund does not have cash in an amount sufficient to pay the full amount of any distribution to be made on such Distribution Payment Date, or for any other reason cannot pay the distribution in cash, or the Board otherwise elects in respect of any such distribution, the distribution payable to the Unitholders on such Distribution Payment Date will be distributed to Unitholders in the form of additional Units, or fractions of Units, having a value equal to the cash shortfall. Any distributions payable in Units will increase the aggregate adjusted cost base of a Unitholder’s Units. Those additional Units will be issued under exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

If, for any taxation year of the Fund, after the regular distributions, there would remain in the Fund additional net income or net realized capital gains, the Fund will be required to pay or make payable such net income and net realized capital gains as one or more special year-end distributions for such year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under Part I of the Tax Act (after taking into account all available deductions, credits and refunds). Such special distributions may be paid in the form of Units and/or cash. Any special distributions payable in Units will increase the aggregate adjusted cost base of a Unitholder's Units. Immediately after a proportionate *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will, subject to any reduction on account of withholding taxes, hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution.

Distribution on Termination of the Fund

On the termination of the Fund, to occur at the expiry of the Term or upon the disposition of the Fund's final asset, the proceeds shall be distributed in the following order:

- (a) to pay any costs involved in the sale of the assets of the Fund and to pay all amounts required to discharge any mortgages or encumbrances registered against the assets, to pay all unpaid expenses which are required to be paid under the Declaration of Trust and all expenses incurred in the winding-up of the Fund, to pay all of the liabilities of the Fund and to establish reserves as the Board considers necessary for the contingent liabilities of the Fund; and
- (b) to pay the balance to Unitholders on a proportionate basis based upon the (i) Proportionate Class A Interest, (ii) Proportionate Class B Interest and (iii) Proportionate Class C Interest, respectively, and within each class (or series, as applicable) *pro rata* based upon the number of Units held, subject to adjustments to reflect the impact of any applicable remaining unallocated Unit Class Expenses.

Such distribution may be made in cash or in kind or partly in each, all as the Board in its sole discretion may determine.

Meetings of Unitholders and Resolutions

The Board may, at any time, convene a meeting of the Unitholders and will be required to convene a meeting on receipt of a request in writing of a Unitholder or Unitholders holding, in aggregate, 10% or more of the Units then outstanding. Any meeting of Unitholders may be held by telephonic or electronic means and a Unitholder who, through those means, votes at the meeting or establishes a communications link to the meeting shall be deemed to be present at the meeting. Any such meeting shall be deemed to have taken place at the registered office of the Fund.

A meeting of holders of a class of Units may be called by the Board if the nature of the business to be transacted at the meeting is only relevant to the Unitholders of that class of Units. A meeting of holders of a class of Units shall be called by the Board upon written request of a Unitholder or Unitholders of the class holding, in aggregate, 10% or more of the Units of the class then outstanding, which requisition must specify the purpose or purposes for which such meeting is to be called.

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval of Unitholders by Special Resolution, will require the approval of Unitholders by an Ordinary Resolution. A quorum for a meeting convened to consider such a matter will consist of two or more Unitholders or any class of Unitholders present in person or by proxy and representing not less than 10% of the Units, or class of Units, as the case may be. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Unitholders, will be cancelled, but otherwise will be adjourned to such day, being not less than ten days later, and to such place and time as may be selected by the chairperson of the meeting. The Unitholders present at any adjourned meeting will constitute a quorum.

Each Unitholder is entitled to one vote per Unit held and votes of Unitholders will be conducted with holders of Class A Units, Class B Units and Class C Units voting together as a single class. Notwithstanding the foregoing, if the Board determines that the nature of the business to be transacted at a meeting affects Unitholders of one class of Units in a manner materially different from its effect on Unitholders of another class of Units, the Units of such affected class will be voted separately as a class.

The following matters require approval by Ordinary Resolution and shall be deemed approved, consented to or confirmed, as the case may be, upon the adoption of such Ordinary Resolution:

- (a) matters relating to the administration of the Fund for which the approval of the Unitholders is required by applicable securities laws, regulations, rules or policies in effect from time to time, and such policies, laws or regulations do not require approval by Special Resolution;

- (b) subject to the requirements for a Special Resolution, any matter or thing stated in the Declaration of Trust to be required to be consented to or approved by the Unitholders; and
- (c) any matter which the Board considers appropriate to present to the Unitholders for their confirmation or approval.

Any amendment to the Declaration of Trust for the following purposes requires approval by Special Resolution and shall be deemed approved, consented to or confirmed, as the case may be, upon the adoption of such Special Resolution:

- (a) matters relating to the administration of the Fund for which the approval of the Unitholders is required by Special Resolution by applicable securities laws, regulations, rules or policies in effect from time to time;
- (b) changes to the Investment Restrictions and the Operating Policy contained in paragraph (e) set out under the heading “Investment Restrictions and Operating Policies – Operating Policies”;
- (c) a reduction in the amount payable on any outstanding Units upon termination of the Fund;
- (d) an increase in the liability of any Unitholders;
- (e) any extension of the Term of the Fund (other than pursuant to the exercise of the two one-year extensions at the discretion of the Board);
- (f) any change to the Manager; and
- (g) the alteration or elimination of any voting rights pertaining to any outstanding Units.

Furthermore, notwithstanding the above or any other provision herein, no confirmation, consent or approval shall be sought or have any effect and no Unitholders shall be permitted to effect, confirm, consent to or approve, in any manner whatsoever, where the same increases the obligations of or reduces the compensation payable to or protection provided to the Board, except with the prior written consent of the Board.

In the event of any proposed transaction with a Related Party of the Fund, the Fund shall comply with the provisions of MI 61-101, subject to any regulatory relief received by the Fund. In the event that the Fund enters into a transaction that, pursuant to MI 61-101, requires approval from each class (or series, as applicable) of Units, in each case voting separately as a class, the Fund intends to apply to applicable securities regulatory authorities for discretionary relief from such obligation given that (i) the Declaration of Trust provides that Unitholders will vote as a single class unless the nature of the business to be transacted at meeting of Unitholders affects holders of one class of Units in a manner materially different from its effect on holders of another class of Units, (ii) the relative returns of any proposed transaction to each class (or series, as applicable) of Units are fixed pursuant to a formula set out in the Declaration of Trust, and (iii) providing a class (or series, as applicable) vote could grant disproportionate power to a potentially small number of Unitholders.

Amendments to the Declaration of Trust

The Board may, without the approval of or notice to Unitholders, amend the Declaration of Trust for certain limited purposes specified therein, including to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law or regulation applicable to or affecting the Fund;
- (b) provide, in the opinion of the Board, additional protection for the Unitholders or obtain, preserve or clarify the provision of desirable tax treatment to Unitholders;
- (c) make amendments which, in the opinion of the Board, based on the advice of its counsel or auditors (as the case may be), are necessary or desirable in the interests of the Unitholders as a result of changes in taxation laws or accounting rules or in their interpretation or administration;
- (d) remove conflicts or inconsistencies between the disclosure in the Prospectus and the Declaration of Trust that, in the opinion of the Board, based on the advice of counsel, are necessary or desirable in order to make the Declaration of Trust consistent with the Prospectus;

- (e) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (f) bring the Declaration of Trust into conformity with Applicable Laws, including the rules and policies of Canadian securities regulators or with current practice within the securities industry provided that any such amendment does not adversely affect the rights, privileges or interests of Unitholders;
- (g) maintain, or permit the Manager to take such steps as may be desirable or necessary to maintain, the status of the Fund as a “mutual fund trust” and a “unit trust” for the purposes of the Tax Act, maintain or avoid any other relevant status under the Tax Act or, respond to amendments to the Tax Act or to the interpretation thereof or, better comply with existing provisions of the Tax Act;
- (h) make amendments as are required to undertake an internal reorganization involving the sale, lease, exchange or other transfer of the assets of the Fund as a result of which, based on the advice of counsel, the Fund has substantially the same interest, whether direct or indirect, in the Fund Property that it had prior to the reorganization and includes an amalgamation, arrangement or merger of the Fund and its Affiliates with any entities provided that in the opinion of the Board, based on the advice of counsel, the rights of Unitholders are not prejudiced thereby;
- (i) create, from time to time, and issue, one or more new series of Units within an existing class, in each case on a basis economically equivalent, on the date of issue, to an existing class, on the date of its initial issue but at the then prevailing Net Asset Value per Unit for such existing class instead of \$10.00 per Unit;
- (j) create, from time to time, and issue, Special Voting Units issued in connection with the issuance of Exchangeable Units for the purpose of providing voting rights with respect to the Fund to the holders of Exchangeable Units prior to the conversion of such securities into Class C Units (of a series, if applicable), to be issued in an amount such that the number of special voting units issued equals the aggregate consideration received by the applicable subsidiary of the Fund for the Exchangeable Units divided by the Net Asset Value per Class C Unit (or the corresponding series, if applicable) at such time, and provided that the special voting units shall be cancelled upon the conversion of such Exchangeable Units into Class C Units (of the corresponding series, if applicable); and
- (k) provide for the exchange into Class C Units (of the corresponding series, if applicable) of Exchangeable Units on a 1:1 basis, subject to customary anti-dilution measures.

Except for changes to the Declaration of Trust which require the approval of Unitholders or changes described above which do not require approval of or prior notice to Unitholders, the Declaration of Trust may be amended from time to time by the Board upon prior written notice to Unitholders. Any such amendment of the Declaration of Trust will be described in the Fund’s next quarterly MD&A.

Termination of the Declaration of Trust

The Term of the Fund is targeted to be three years, subject to earlier termination as described below. The Term may also be extended (including following the exercise of the two one-year extensions at the discretion of the Board) by Special Resolution of the Unitholders, subject to approval by the Board. In order to provide Unitholders with liquidity, the Manager intends to complete a liquidity event at or before the end of the Term. The liquidity event may be a transaction involving a sale of all the Units of the Fund, or the sale of the Properties or the Holding LP Units, for cash or securities listed on a stock exchange, or such other transaction as the Manager considers appropriate.

Notwithstanding the Term outlined above, the Fund may be wound down and terminated as soon as practicable following the direct or indirect disposition of all of the assets of the Fund.

Information and Reports

The Fund will send to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by the Declaration of Trust and by Applicable Laws. In addition, on or before March 31 of each calendar year, the Fund will forward to Unitholders tax reporting information in such manner as will enable each such person to report the income tax consequences of investment in Units in the Unitholder’s annual Canadian income tax return.

As a “venture issuer” under Applicable Laws, the Fund will be required to file, in addition to applicable news releases: (i) audited annual financial statements, related MD&A, and the applicable annual certificate for each of the Chief Executive Officer and Chief Financial Officer under NI 52-109, each within 120 days after the end of the Fund’s financial year-end, (ii) interim financial reports, related MD&A and the applicable interim certificate for each of the Chief Executive Officer and Chief Financial Officer under NI 52-109, each within 60 days after the end of each of the Fund’s first three quarterly periods of its financial year, (iii) material change reports, as soon as possible, and in any event within ten days of the date on which the change occurs, in accordance with Part 7 of NI 51-102, and (iv) business acquisition reports, in accordance with Part 8 of NI 51-102. As a venture issuer, the Fund will not be required to file an annual information form and the Fund does not currently intend to do so voluntarily. The Declaration of Trust does not require the Fund to, and the Fund does not intend to, call and hold annual general meetings of Unitholders and, accordingly, the Fund does not expect to annually file and send Unitholders a management information circular.

Redemption

The Units will be redeemable at the option of Unitholders by written notice to the Fund.

A Unitholder wishing to redeem the whole or any part of his or her Units may do so by delivering a written notice of such desire (the “**Unit Redemption Notice**”) to the Fund at any time. Units shall be considered to be tendered for redemption on the date (the “**Unit Redemption Date**”) that the Fund has, to the satisfaction of the Board, received the Unit Redemption Notice and further documents or evidence the Fund may reasonably require with respect to the identity, capacity or authority of the person giving such notice.

Subject to Applicable Laws and the conditions listed below, the Fund will redeem the Units specified in such Unit Redemption Notice. The redemption price payable per Unit in respect of each class (or series, as applicable) of Units will be based on the proportionate interest of the Net Subscription Proceeds attributable to each class or series, as applicable, determined as follows:

- (a) the redemption price per Class A Unit is equal to the Redemption Value of the Fund on the Unit Redemption Date multiplied by the Proportionate Class A Interest divided by the total number of outstanding Class A Units;
- (b) the redemption price per Class B Unit is equal to the Redemption Value of the Fund on the Unit Redemption Date multiplied by the Proportionate Class B Interest divided by the total number of outstanding Class B Units; and
- (c) the redemption price per Class C Unit is equal to the Redemption Value of the Fund on the Unit Redemption Date multiplied by the Proportionate Class C Interest divided by the total number of outstanding Class C Units,

provided that in each case the redemption price shall be adjusted, as necessary, to reflect that the Class A Units are subject to a lower Agents’ Fee than Class B Units and that Class C Units are not subject to the Agents’ Fee and/or to account for different series of a class of Units.

The redemption price per Unit multiplied by the number of Units tendered for redemption will be paid to a Unitholder by way of a cash payment no later than the last day of the calendar month following the calendar quarter in which the Units were tendered for redemption, provided that, unless the Fund otherwise determines, the total amount payable by the Fund by cash payment in respect of the redemption of Units for the calendar quarter shall not exceed \$100,000 and the total amount payable by the Fund by cash payment in respect of the redemption of Units in any 12-month period ending at the end of that calendar quarter will not exceed 1% of the Net Asset Value at the start of such 12-month period.

See “Risk Factors – Risk Factors Relating to the Offering – Limited Liquidity of Units”.

The payment in cash by the Fund of the redemption price of Units will reduce the amount of cash available to the Fund for the payment of distributions to Unitholders, as the payment of the amount due in respect of redemptions will take priority over the payment of cash distributions. See “Risk Factors – Risk Factors Relating to Redemptions – Use of Available Cash.”

If Units tendered for redemption are not redeemed for cash as a result of the foregoing limitations, the Fund shall satisfy the redemption of such Units tendered for redemption by way of an *in specie* distribution of property of the Fund and/or unsecured subordinated notes of the Fund, at its option, as determined by the Board in its sole discretion. Property distributed

by the Fund on a redemption is not expected to be liquid and may not be a qualified investment for trusts governed by Plans. In those circumstances, adverse tax consequences generally may apply to a Unitholder, or a Plan and/or the annuitant, holder, subscriber or beneficiary thereunder or thereof, as a result of the redemption of Units held in a trust governed by a Plan. See “Risk Factors – Risk Factors Relating to Redemptions”.

Units will be redeemed according to the order in which Unit Redemption Notices are received.

See “Risk Factors – Risk Factors Relating to the Offering – Limited Liquidity of Units” and “Risk Factors – Risk Factors Relating to Redemptions”.

Powers and Responsibilities of the Board of Trustees

The Board has exclusive authority to manage the operations and affairs of the Fund, to make all decisions regarding the business of the Fund and has authority to bind the Fund. The powers, authorities and responsibilities of the Board are limited to those expressly set forth in the Declaration of Trust. The Board is responsible for managing the activities and administration of the Fund and the conduct of the affairs of the Fund, including without limitation:

- (a) holding Fund Property in safekeeping; retaining moneys, securities, property, assets or investments; investing moneys from time to time forming part of the Fund Property;
- (b) ensuring the Net Subscription Proceeds are invested in Holding LP Class A Units;
- (c) borrowing money as necessary to pay distributions to Unitholders, and encumbering Fund Property in respect thereof;
- (d) lending money or other Fund Property, whether secured or unsecured;
- (e) paying properly incurred expenses out of Fund Property;
- (f) depositing moneys from time to time forming part of the Fund Property in accounts;
- (g) possessing and exercising rights, powers and privileges pertaining to ownership of or interest in Fund Property;
- (h) holding legal title to Fund Property;
- (i) approving the application for the listing on any stock exchange of any Units or other securities of the Fund, and doing all things which in the opinion of the Board may be necessary or desirable to effect or maintain such listing or listings;
- (j) reinvesting income and gains of the Fund and taking other actions besides the mere protection and preservation of the Fund Property;
- (k) ensuring compliance with Applicable Laws;
- (l) preparing and filing or causing to be prepared and filed all requisite returns, reports and filings;
- (m) monitoring the Fund’s tax status as a “mutual fund trust” within the meaning of the Tax Act;
- (n) providing all requisite office accommodation and associated facilities;
- (o) providing or causing to be provided to the Fund all other administrative and other services and facilities required by the Fund, including property appraisal services; and maintaining or causing to be maintained complete records of all transactions in respect of the Fund Property;
- (p) prescribing any instrument provided for or contemplated by the Declaration of Trust;
- (q) remitting distributions to Unitholders;
- (r) appointing the auditors of and registrar and transfer agent for the Fund; and

- (s) except as prohibited by law, delegating from time to time to the Fund's employees, consultants, agents and other persons including the Manager, the doing of such things and the exercise of such powers as the Board may from time to time deem expedient, so long as any such delegation is not inconsistent with any of the provisions of the Declaration of Trust and subject at all times to the general control and supervision of the Board as provided for therein,

all subject to the terms and conditions set out in the Declaration of Trust. The Declaration of Trust will provide that the Board may engage or employ persons in connection with the Fund and pay to them compensation out of Fund Property and may delegate its powers, authorities and duties. Pursuant to the Management Agreement, the Manager will be responsible for providing specified management and administration services to the Fund and will fulfill the responsibilities listed above, subject to the oversight of the Board.

The Declaration of Trust will provide that any Trustee may resign upon written notice to the Fund. A Trustee may be removed at any time with or without cause by the Manager. A vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees, as long as they constitute a quorum and a majority of the Trustees constituting quorum are resident in Canada for purposes of the Tax Act (or if they are not, then a new Trustee may be appointed by the Manager). In the event that an independent Trustee ceases to be a Trustee, such vacancy shall be filled by a person that would qualify as an independent Trustee.

The Declaration of Trust will provide that the Trustees and the executive officers of the Fund (and the directors and officers of any affiliated entity) will be indemnified out of the Fund Property against all losses, claims, damages, liabilities, expenses, judgments and other amounts in respect of any civil, criminal or administrative claim, action or proceeding by reason of being or having been a Trustee or an officer of the Fund or such affiliated entity, and/or in respect of any and all taxes, penalties or interest in respect of unpaid taxes or other governmental charges imposed upon such parties as a result of the exercise of his or her powers or duties under the Declaration of Trust. However, any such party will not be indemnified for amounts that result from his or her failure to act honestly and in good faith with a view to the best interests of the Fund, or as a result of his or her failure to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, or, in the case of a civil, criminal or administrative action or proceeding that is enforced by a monetary penalty, where such party did not have reasonable grounds for believing that his or her conduct was lawful.

In addition, the Declaration of Trust will contain other customary provisions limiting the liability of the Trustees and indemnifying the Trustees in respect of certain liabilities incurred by them in the carrying out of their duties.

The Trustees are required to exercise their powers and discharge their duties honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Conflicts of Interest

A Trustee who directly or indirectly has a material interest in a material contract or transaction or proposed material contract or transaction with the Fund, or an affiliate of the Fund, must disclose in writing to the Fund the nature and extent of such interest forthwith after becoming aware of the material contract or transaction or proposed material contract or transaction. Such Trustee must not vote on any resolution to approve the material contract or transaction, unless the material contract or transaction is one relating primarily to his or her remuneration as a Trustee or one for indemnity or insurance.

Where a Trustee fails to disclose his or her interest in a material contract or transaction, any Trustee or any Unitholder, in addition to exercising any other rights or remedies in connection with such failure exercisable at law or in equity, may apply to a court for an order setting aside the material contract or transaction and directing that the Trustee account to the Fund for any profit or gain realized, provided that if the Trustee acted honestly and in good faith, he or she will not be accountable to the Fund or to the Unitholders for any profit or gain realized from such material contract or transaction, and such material contract or transaction will not be void or voidable and may not be set aside, if: (i) the material contract or transaction was reasonable and fair to the Fund at the time it was approved; (ii) the material contract or transaction is confirmed or approved at a meeting of the Unitholders duly called for that purpose; and (iii) the nature and extent of the Trustee's interest in such contract or transaction is disclosed in reasonable detail in the notice calling the meeting of the Unitholders.

All decisions of the Board will require the approval of a majority of the Trustees present in person or by phone at a meeting of the Board, except for each of the following matters which will also require the approval of a majority of the remaining Trustees without a conflict of interest in such matter:

- (a) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, in which any of the Related Party of the Fund has any direct or indirect interest, whether as owner, operator or manager;
- (b) a change to any agreement with a Related Party of the Fund or any renewal, extension or termination thereof or any increase in any fees (including any transaction fees) or distributions payable thereunder;
- (c) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the Fund, or the making, directly or indirectly, of any co-investment, in each case with (i) any Trustee, (ii) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (iii) any entity for which any Trustee acts as a director or other similar capacity;
- (d) the refinancing, increase or renewal of any indebtedness owed by or to (i) any Trustee, (ii) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (iii) any entity for which any Trustee acts as a director or other similar capacity; and
- (e) decisions relating to any claims by or against one or more parties to any agreement with any Related Party to the Fund.

In connection with any transaction involving the Fund, including any item mentioned in the prior paragraph which requires the approval of the independent Trustees, the Board shall have the authority to retain external legal counsel, consultants or other advisors to assist it in negotiating and completing such transaction without consulting or obtaining the approval of any officer of the Fund.

Rights of Unitholders

Subject to certain important exceptions, a Unitholder has substantially all of the same protections, rights and remedies as a shareholder would have under the CBCA. Many of the provisions of the CBCA respecting the governance and management of a corporation have been incorporated in the Declaration of Trust. Unlike shareholders of a CBCA corporation, Unitholders do not have a comparable right of a shareholder to elect members of the Board of Trustees or make a proposal at a general meeting of the Fund. The matters in respect of which Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation. Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, the sale of all or substantially all of its property, or a going private transaction). As an alternative, Unitholders seeking to terminate their investment in the Fund are entitled to receive, subject to certain conditions and limitations, the redemption price described above under “Redemption” through the exercise of the redemption rights described above. Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or disregard the interests of security holders and certain other parties.

Shareholders of a CBCA corporation may apply to a court to order the liquidation and dissolution of the corporation in certain circumstances, whereas Unitholders may rely only on the general provisions of the Declaration of Trust which permit the winding-up of the Fund with the approval of a Special Resolution of the Unitholders. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include comparable rights.

The foregoing is a summary only of certain of the material provisions of the Declaration of Trust. For a complete understanding of all of the provisions of the Declaration of Trust, reference should be made to the Declaration of Trust itself, a copy of which is available from the Fund.

8.2 The Holding LP

The following is a summary only of certain of the material provisions that are contained in the Holding LP Agreement.

The rights and obligations of the Holding GP and the holders of Holding LP Units are governed by the limited partnership agreement establishing the Holding LP among the Holding GP, the Fund and D.D. Acquisitions Partnership as the initial limited partners and all persons who subsequently become limited partners of the Holding LP.

Capital in the Holding LP

The capital of the Holding LP consists of an unlimited number of Holding LP Class A Units and an unlimited number of Holding LP Class B Units, plus the interest held by the Holding GP as general partner.

Distributions

To the extent cash flow permits, for any period, the Holding LP will pay and distribute an amount equal to all cash flow from operations of the Properties in that period after payment of all current obligations relating to the Properties, including all current principal and interest payments under the Mortgage Loans and after the creation of reasonable working capital and capital improvement reserves as determined by Holding GP (“**Distributable Cash**”). Such amounts will be distributed as follows and shall be calculated on the basis as if, in each case, all Distributable Cash was received by the Fund (including through the Holding GP), together with all other amounts distributable by the Fund (including Distributable Cash generated by investees of the Fund not held through the Holding LP, if any), and distributed by the Fund (but net of any amounts required to provide for expenses) to Unitholders of the Fund in accordance with the Declaration of Trust, on a series by series basis as follows:

- (a) first, to the Holding GP, 0.01% of the Distributable Cash;
- (b) second, such balance of the Distributable Cash remaining, following the distributions to the Holding GP above, to holders of Holding LP Class A Units (being the Fund), an amount equal to the aggregate across the corresponding series of Units of the lesser of (A) the aggregate amount of distributions which would have been paid on all Units of the particular series and (B) the Minimum Return (including, for greater certainty, a return of the aggregate invested capital in respect of such series) on all Units of the particular series; and
- (c) third, such balance of the Distributable Cash remaining, if any, following the distributions to the Holding GP above and the distributions to the holders of Holding LP Class A Units above:
 - (i) 50% to holders of Holding LP Class A Units; and
 - (ii) 50% to holders of Holding LP Class B Units,until, with respect to each series of Units, the distributions on all Units of the particular series in excess of the Investors Capital Return Base would be equal to three times (i.e., 75%/25%) the payment receivable by the holders of Holding LP Class B Units in respect of such series pursuant to the foregoing (c)(ii);
- (d) fourth, such balance of the Distributable Cash remaining, if any, following the distributions to the Holding GP and the holders of Holding LP Class A Units and Holding LP Class B Units above:
 - (i) 75% to holders of Holding LP Class A Units; and
 - (ii) 25% to holders of Holding LP Class B Units.

For greater certainty, the foregoing calculation shall be made on a cumulative basis taking into account distributions for all prior periods. Notwithstanding any of the foregoing, the Holding GP may in its sole and unfettered discretion elect to not distribute cash flow in any period or to reduce the amount of any distribution of cash flow in whole or in part.

Allocation of Income and Losses for Tax and Accounting Purposes

For tax and accounting purposes, losses for each fiscal year of the Holding LP will be allocated to the holders of Holding LP Units. For tax and accounting purposes, net income for each fiscal year of the Holding LP will be allocated to the holders of Holding LP Units and the Holding GP, as general partner of the Holding LP, in the same manner and in the same priorities in which income received from the applicable Property is ultimately distributed to such partners (excluding returns of capital and repayments of loans).

Distributions upon Wind-up, etc.

Upon the liquidation, dissolution or wind-up of the Holding LP, the assets of the Holding LP will be liquidated and the proceeds thereof will be distributed as follows:

- (a) first, to pay all unpaid expenses which are required to be paid under the Holding LP Agreement and all expenses incurred in the winding-up of the Holding LP;
- (b) second, to pay all of the liabilities of the Holding LP, including any loans or advances made by its limited partners and any amounts owing to the Holding GP in respect of costs and expenses owing to it as general partner;
- (c) third, to establish such reserves as the Holding GP, as general partner, considers necessary;
- (d) fourth, to pay to the Holding GP any unpaid portion of the distributions noted in (a) under “Description of the Securities Distributed – The Holding LP – Distributions”; and
- (e) fifth, to pay to the holders of Holding LP Units any unpaid portion of the distributions noted in (b) through (d) under “Description of the Securities Distributed – The Holding LP – Distributions”.

Alternatively, the holders of Holding LP Units may approve by Special Resolution distributions of all assets of the Holding LP *in specie*, in which event the Holding GP and each holder of Holding LP Units shall, subject to the provisions of the Holding LP Agreement, be entitled to receive an undivided interest in each and every asset of the Holding LP in accordance with such limited partner’s proportionate interest in the Holding LP as of the date of dissolution or sale.

Additional Capital Contributions

No limited partner is required to make additional capital contributions to the Holding LP over and above the purchase price paid for such limited partner’s Holding LP Units.

Management of the Holding LP

The Holding GP, as general partner, has continuing exclusive authority over the management of the Holding LP, the conduct of its affairs, and the management and disposition of the property of the Holding LP, except for certain limited matters being subject to votes of the holders of Holding LP Units. The Holding GP does not have any rights to vote.

Removal of the Holding GP

Holders of Holding LP Class A Units may, by Special Resolution and upon 60 days’ written notice to the Holding GP, remove the Holding GP as general partner of the Holding LP without cause, and may immediately remove the Holding GP for cause, if such cause is not remedied after reasonable notice from the holders of Holding LP Class A Units. In either such case, the holders of Holding LP Class A Units will appoint, concurrently with the removal, a replacement general partner to assume all of the responsibilities and obligations of the removed general partner, and the removed general partner will be released of its liabilities under the Holding LP Agreement and indemnified for any damages and expenses with respect to events which occur in relation to the Holding LP after the appointment of the new general partner.

Voting

Each Holding LP Class A Unit has attached to it the right to exercise one vote at meetings of the Holding LP. Certain powers, relating generally to the existence and fundamental powers of the Holding LP, are specified in the Holding LP Agreement and are exercisable by way of an Ordinary Resolution passed by holders of Holding LP Units.

Transfer of Holding LP Units

The transfer of Holding LP Class A Units and Holding LP Class B Units will be subject to a number of restrictions, including: (i) the Holding LP Class A Units and Holding LP Class B Units may not be transferred to a person or partnership who is an Excluded Person (which includes a Non-Resident); (ii) no Holding LP Class A Units or Holding LP Class B Units will be transferable in part; and (iii) no transfer of Holding LP Class A Units or Holding LP Class B Units will be accepted by the Holding GP unless a transfer form, duly completed and signed by the registered holder of such Holding LP Class A Units or Holding LP Class B Units, as applicable, has been remitted to the Holding GP. In addition, a transferee of Holding LP Class A Units or Holding LP Class B Units must provide to the Holding GP such other instruments and documents as the Holding

GP may require, in appropriate form, completed and executed in a manner acceptable to the Holding GP and must pay the administration fee, if any, required thereby. A transferee of a unit of a Holding LP will not become a partner or be admitted to the Holding LP and will not be subject to the obligations and entitled to the rights of a partner under the Holding LP Agreement until the foregoing conditions are satisfied and such transferee is recorded on the Holding LP's register of partners.

Amendments to the Holding LP Agreement

The Holding LP Agreement may be amended with the prior consent of the holders of at least 66²/₃% of the Holding LP Class A Units voting on the amendment at a duly constituted meeting of holders of Holding LP Class A Units or by a written resolution of partners holding at least 66²/₃% of the Holding LP Class A Units entitled to vote at a duly constituted meeting of holders of Holding LP Class A Units, except for certain amendments which require unanimous approval of holders of limited partnership units, including: (i) changing the liability of any limited partner; (ii) changing the right of a limited partner to vote at any meeting of holders of Holding LP Class A Units; and (iii) changing the Holding LP from a limited partnership to a general partnership.

The Holding GP may also make amendments to a Holding LP Agreement without the approval or consent of the limited partners to reflect, among other things: (i) a change in the name of the Holding LP or the location of the principal place of business or registered office of the Holding LP; (ii) the admission, substitution, withdrawal or removal of limited partners in accordance with the Holding LP Agreement; (iii) a change that, as determined by the Holding GP, is reasonable and necessary or appropriate to qualify or continue the qualification of the Holding LP as a limited partnership in which the limited partners have limited liability under Applicable Laws; (iv) a change that, as determined by the Holding GP, is reasonable and necessary or appropriate to enable Holding LP to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; (v) creating, from time to time, and issuing one or more new series of additional Holding LP Class A Units for the purpose of providing distributions to the Fund to be distributable to holders of such corresponding series of Units created within an existing class; (vi) creating, from time to time, and issuing one or more new classes or series of Exchangeable Units, being additional limited partnership units that rank *pari passu* with the Holding Class LP A Units and the Holding LP Class B Units which, in all material respects, are economically equivalent to, and exchangeable for, Class C Units at the Net Asset Value per Class C Unit at the time of issuance of the Exchangeable Units or (vi) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Holding LP Agreement which may be defective or inconsistent with any other provision contained in the Holding LP Agreement or which should be made to make the Holding LP Agreement consistent with the disclosure set out in this Prospectus.

Notwithstanding the foregoing: (i) no amendment which would adversely affect the rights and obligations of the Holding GP, as a general partner, may be made without the consent of the Holding GP; and (ii) no amendment which would adversely affect the rights and obligations of any other holders of limited partnership units or any class of limited partner differently than any other class of limited partner may be made without the consent of such holder or class, including with respect to amendments to the restrictions on transfer of Holding LP Class B Units.

9. CAPITALIZATION

9.1 Pro Forma Capitalization

The following table sets forth the *pro forma* consolidated capitalization of the Fund as at November 12, 2021 and as at September 30, 2021 after giving effect to the Maximum Offering and the acquisition of the Initial Portfolio. The table should be read in conjunction with the Fund's *pro forma* consolidated financial statements and notes thereto contained in this Prospectus.

	As at November 12, 2021	As at September 30, 2021 after giving effect to the Maximum Offering and the Acquisition of the Initial Portfolio
Units (<i>Authorized – unlimited</i>)	\$10 ⁽¹⁾	\$130,000,000
Indebtedness		
– Mortgage Loans.....	\$0	\$310,275,000
Total Capitalization	<u>\$10</u>	<u>\$410,275,000</u>

Note:

- (1) The Fund was initially settled on November 12, 2021 with \$10.00 in cash for the issuance of one Class C Unit.

9.2 Long-Term Debt

The Fund does not have any earnings to date, and does not currently have any outstanding long-term debt. Upon acquisition of the Initial Portfolio, the Fund will indirectly assume and secure first Mortgage Loans in the aggregate amount of approximately \$112,900,000. In addition, under the Maximum Offering, it is assumed that the Holding LP will secure an aggregate amount of approximately \$250,000,000 (which includes the amount of first Mortgage Loans assumed and secured in connection with the acquisition of the Initial Portfolio). It is anticipated that upon the acquisition of any additional Properties, the Holding LP (or its Subsidiaries) will further incur Mortgage Loans. The lender for the second mortgage is expected to be a Canadian chartered bank that is an Affiliate of the Lead Agent. See “Plan of Distribution – Relationship Between the Fund and Certain Agents” and “Descriptions of the Activities of the Fund – The Initial Portfolio”.

The Manager believes the current western Canadian multi-family rental property debt financing market offers debt financing at attractive interest rates that the Manager intends to utilize in order to seek an increased return on equity. The Manager will target an overall loan-to-value ratio of any Mortgage Loans of 65% to 75% of the purchase price of the Properties as a whole, plus the amount of any property improvement reserve account approved by the lenders. However, the Manager, having regard to all of the circumstances including the potential value of the Properties identified for investment, may cause the overall loan-to-value ratio of any Mortgage Loans to exceed this threshold. Notwithstanding the foregoing, the Declaration of Trust limits total indebtedness of the Fund to no more than 75% of the Investable Funds (or, at the discretion of the Board, the appraised value of the Properties). Such loans will generally be for terms of three to ten years, with fixed interest rates calculated with reference to the interest rate on a government bond with a similar term, plus an amount determined in accordance with market factors or floating rates calculated based on a spread over an applicable benchmark. The Mortgage Loans (if any) will be secured by mortgages registered on the Properties in respect of which the loans were advanced.

10. PRIOR SALES

There have been no prior sales of securities of the Fund, other than the initial Class C Unit issued to Starlight Group, which will be automatically redeemed upon closing of the Offering.

11. ESCROWED SECURITIES

Pursuant to NP 46-201, in the event that the Gross Subscription Proceeds for the Offering are less than \$100,000,000, each “principal” (as such term is defined in NP 46-201) that holds more than 1% of the voting rights attached to all securities of the Fund on closing of the Offering shall be required to enter into an escrow agreement and have their Units held in escrow. As of the date hereof, the following securities of the Fund are expected to be held in escrow if an Offering of at least \$100,000,000 is not achieved:

Designation of Class	Number of Securities Held in Escrow	Percentage of Class
Class C Units	1,000,000 ⁽¹⁾	100%

Note:

- (1) The actual number of Class C Units to be held in escrow (the “**Escrowed Units**”) will be the number of Class C Units purchased by Starlight Group and certain other personnel of Starlight Group, assuming that an Offering of at least \$100,000,000 million is not achieved. It is expected that the Escrowed Units that will be issued to the Escrow Securityholder on the Closing Date will be held in escrow pursuant to the Escrow Agreement to be entered into between the Fund, the Escrow Securityholder and TSX Trust Company, as escrow agent. Pursuant to the terms of the Escrow Agreement, 1/10 of the Escrowed Units will be released on the Closing Date. 1/6 of the remaining Escrowed Units will be released six months after the Closing Date. 1/5 of the remaining Escrowed Units will be released 12 months after the Closing Date. 1/4 of the remaining Escrowed Units will be released 18 months after the Closing Date. 1/3 of the remaining Escrowed Units will be released 24 months after the Closing Date. 1/2 of the remaining Escrowed Units will be released 30 months after the Closing Date. The remaining Escrowed Units will be released 36 months after the Closing Date.

12. PRINCIPAL SECURITYHOLDERS

Except as noted at “The Manager and the Management Agreement – Potential Conflicts of Interest (Trustees and Officers)”, to the best of the knowledge of the Fund, after giving effect to the Offering, no persons are expected to own, directly or indirectly, or exercise control or direction over Units carrying at least 10% of the votes attached to the issued and outstanding Units.

13. TRUSTEES AND OFFICERS

13.1 Name, Address, Occupation and Security Holdings

The following table sets forth certain information regarding each of the individuals who will, as at the Closing Date, be Trustees and/or acting in the capacity of executive officers of the Fund and its Subsidiaries.

<u>Name, Age, and Municipality of Residence</u>	<u>Position(s) Held with Fund⁽¹⁾</u>	<u>Principal Occupation</u>
Daniel Drimmer..... Age: 49 Toronto, Ontario, Canada	President and Chief Executive Officer	President and Chief Executive Officer of Starlight Group and the general partner of the Manager
Mandy Abramsohn ⁽²⁾ Age: 46 Toronto, Canada	Independent Trustee	President of Wand Advisory & Investments Inc.
Denim Smith ⁽²⁾ Age: 44 Toronto, Canada	Independent Trustee and Chair of the Board	Managing Director (Real Estate) at Echelon Wealth Partners
Lawrence D. Wilder ⁽²⁾ Age: 58 Toronto, Ontario, Canada	Independent Trustee	Partner, Miller Thomson LLP
Glen Hirsh Age: 51 Toronto, Ontario, Canada	Chief Operating Officer	Chief Operating Officer of Starlight Group and the general partner of the Manager
Martin Liddell Age: 51 Toronto, Ontario, Canada	Chief Financial Officer	Chief Financial Officer of Starlight Group and the general partner of the Manager
David Hanick..... Age: 47 Toronto, Ontario, Canada	Corporate Secretary	Chief Legal Officer of Starlight Group and the general partner of the Manager

Notes:

- (1) The individuals acting in the capacity of the Fund's executive officers are not employed by the Fund or any of its Subsidiaries, but rather are employees of or consultants to the Manager and provide services to the Fund and its Subsidiaries, on behalf of the Manager, pursuant to the Management Agreement.
- (2) Member of the audit committee.

Personal Profiles

Set out below is a biography of each of the Trustees and executive officers of the Fund, as applicable, for the past five years or more.

Daniel Drimmer – President and Chief Executive Officer

Daniel Drimmer is the founder, President and Chief Executive Officer of Starlight Group, a Canadian real estate asset management company focused on the acquisition, ownership and management of multi-family and commercial properties across Canada and the U.S., with a portfolio of approximately 110,000 multi-family suites and over 8,000,000 square feet in commercial properties. In addition to the formation of Starlight Group, Mr. Drimmer is currently a director and Chief Executive Officer of the general partner of TSX-V listed Starlight U.S. Multi-Family (No. 2) Core Plus Fund (TSX-V: SCPT.A and SCPT.U) and a trustee and Chief Executive Officer of Starlight U.S. Residential Fund (TSX-V: SURF.A and SURF.U) and was previously a director and Chief Executive Officer of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 1) Core Plus Fund, a director and Chief Executive Officer of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 1) Value-Add Fund and a director and the Chief Executive Officer of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 5) Core Fund and its predecessors, is the founder, Chairman of the Board and former President and CEO of TSX-listed True North Commercial REIT (TSX: TNT.UN), and is a member of the

Board of Trustees of TSX-listed Northview Canadian High Yield Residential Fund (TSX: NHF.UN). Mr. Drimmer also established TSX-listed True North Apartment REIT, and was the creator and sponsor of TSX-listed TransGlobe Apartment REIT. Over the last ten years, Mr. Drimmer has completed more than \$50 billion worth of acquisitions and dispositions in multi-family and commercial real estate (including nine initial public offerings). Mr. Drimmer obtained a Bachelor of Arts degree from the University of Western Ontario, and both a Master of Business Administration and a Master's degree in Contemporary European Policy Making from European University in Geneva, Switzerland and is a third generation real estate investor.

Mandy Abramsohn – Independent Trustee

Ms. Abramsohn brings more than two decades of professional experience with deep expertise in real estate, capital markets, investments and finance. Ms. Abramsohn is currently President of Wand Advisory & Investments Inc., and has previously held senior roles including leading real estate capital markets at EY Canada, acting as a real estate Senior Vice President at DBRS, leading Canadian real estate equity research at Raymond James Canada and as an investment manager of a \$2 billion Canadian equity dividend fund at Great West Life. Ms. Abramsohn began her career in public accounting and is a member of the Chartered Professional Accountants of Canada & Ontario, Canadian Institute of Chartered Business Valuators, CFA Institute and the Toronto CFA Society. Ms. Abramsohn serves as a Trustee of NorthWest Healthcare Properties REIT and also registered as a CPA in the state of Illinois.

Denim Smith – Independent Trustee and Chair of the Board

Mr. Smith joined Echelon Wealth Partners as Managing Director, Investment Banking (Real Estate) in 2021. Previously, Mr. Smith was the Managing Director of Real Estate Investment Banking at Laurentian Bank Securities since 2019. From 2014 to 2016 Mr. Smith was the interim Chief Financial Officer and Chief Investment Officer at The Nationwide Group of Companies, responsible for the overall accounting, finance, and HR departments for an international conglomerate with over 120 employees across five operating companies in over 18 countries, as well as strategic investments, mergers and acquisitions, and business development. Mr. Smith also led the real estate investment banking practice at Blackmont Capital which completed over \$300 million of capital markets transactions and over \$3 billion of advisory and valuation mandates. Prior to that, Mr. Smith was a founding member of KeyBanc Capital Markets Real Estate Group in Boston which was responsible for over US\$3.5 billion of capital markets transactions and US\$600 million of successful sell-side advisory mandates; after starting his career at RBC Capital Markets in Canada and joining the inaugural US Real Estate Group. Mr. Smith was also a trustee on the board of TSX-listed True North Apartment REIT from its formation to its merger with Northern Properties Real Estate Investment Trust to become Canada's third largest apartment REIT with greater than \$1B market cap; Mr. Smith also served as a Trustee for TSXV-listed GT Canada Medical Properties REIT which was acquired by Northwest Healthcare REIT. Mr. Smith is a graduate of the University of Western Ontario and has completed the CFA Level 2.

Lawrence D. Wilder – Independent Trustee

Mr. Wilder is a partner at Miller Thomson LLP and serves as Chair of the Firm's national Securities and Capital Markets Group. Mr. Wilder has practiced corporate and securities law for over 30 years and has advised Canadian public issuers and their boards on a variety of corporate governance and securities law compliance matters. His specialties include corporate finance, mergers and acquisitions and private equity. Mr. Wilder is nationally recognized by *Chambers Canada*, *Best Lawyers*, *Lexpert* and *Martindale-Hubbell*. He holds an LLB from Osgoode Hall Law School. Mr. Wilder is the lead trustee of TSX-listed Northview Canadian High Yield Residential Fund (TSX: NHF.UN).

Glen Hirsh – Chief Operating Officer

Mr. Hirsh joined Starlight in October of 2017 as Chief Operating Officer. Prior to joining Starlight, Mr. Hirsh most recently held the position of Vice President in the Strategy and Finance Group at Oxford Properties and previously was a Managing Director and Head of the Real Estate Investment Banking Group at National Bank Financial. Having spent almost 20 years in the real estate and financial services sectors, Mr. Hirsh is recognized as a leader in providing strategic advice to public and private companies, structuring capital markets transactions and executing equity and debt financings. Today, Mr. Hirsh oversees several teams in his role as Chief Operating Officer including operations, human resources, information technology and ESG and sustainability. Mr. Hirsh is a Chartered Professional Accountant and holds the Chartered Financial Analyst designation and a Bachelor of Commerce degree from McGill University. Mr. Hirsh remains a trustee of the former NEO Exchange Inc.-listed Starlight Hybrid Global Real Assets Trust recently reorganized as the Starlight Private Global Real Assets Trust.

Martin Liddell – Chief Financial Officer

Martin Liddell is the Chief Financial Officer of Starlight. Mr. Liddell joined Starlight in January 2012 as the Chief Financial Officer of True North Apartment REIT (TSX: TN.UN). Prior to joining Starlight, Mr. Liddell was the Executive Vice-President and Chief Financial Officer of Leisureworld Senior Care Corporation (TSX: LW.TO) from 2006 until 2011. Mr. Liddell has participated in over \$12 billion in real estate debt and equity financings including eight initial public offerings. Mr. Liddell is also the Chief Financial Officer of Starlight U.S. Multi-Family (No. 2) Core Plus Fund (TSX-V: SCPT.A and SCPT.U) and Starlight U.S. Residential Fund (TSX-V: SURF.A and SURF.U) and was previously the Chief Financial Officer of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 1) Core Plus Fund, the Chief Financial Officer of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 1) Value-Add Fund and the Chief Financial Officer of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 5) Core Fund and its predecessors. Previously, Mr. Liddell held the position of Chief Financial Officer of NBS Technologies Inc. (TSX: NBS). Between 2000 and 2005, Mr. Liddell served in a variety of increasingly senior corporate development and financial management roles at Tyco International Ltd. (NYSE: TYC), and prior to that from 1995 to 2000, provided strategic corporate finance and mergers and acquisitions advice to clients at KPMG LLP in the United Kingdom and Europe. Mr. Liddell holds a Bachelor of Arts (Honours) in accounting and finance from Liverpool John Moores University, United Kingdom, and received his Chartered Accountant designation in 1995. Mr. Liddell is a member of the Institute of Chartered Accountants in England and Wales (ICAEW).

David Hanick – Corporate Secretary and Trustee

David Hanick joined Starlight Group in November 2012 and is currently Chief Legal Officer. Prior to joining Starlight Group, Mr. Hanick was a corporate partner in the Toronto office of Osler, Hoskin & Harcourt LLP where he focused on public and private mergers and acquisitions as well as capital markets transactions acting for issuers, underwriters and private equity firms in various sectors including the real estate sector. Mr. Hanick has more than 20 years of legal, capital markets, mergers and acquisitions, and corporate governance expertise, and has participated in transactions totaling more than \$30 billion. Mr. Hanick is currently the Corporate Secretary of the general partner of the TSX-V-listed Starlight U.S. Multi-Family (No. 2) Core Plus Fund (TSXV: SCPT.A and SCPT.U) and Starlight U.S. Residential Fund (TSX-V: SURF.A and SURF.U), and was previously the Corporate Secretary of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 1) Core Plus Fund, the Corporate Secretary of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 1) Value-Add Fund and the Corporate Secretary of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 5) Core Fund and its predecessors. Mr. Hanick is a member of the Law Society of Ontario and holds a joint Master of Business Administration from the Schulich School of Business and Bachelor of Laws from Osgoode Hall Law School.

Immediately after the Closing Date, the Trustees and executive officers of the Fund, as a group, are expected to beneficially own, directly or indirectly, or exercise control or direction over approximately 1,000,000 Units, representing a voting interest in the Fund of approximately:

- (a) approximately 16.4% assuming the Minimum Offering is completed and that (i) \$38,250,000 of Class A Units, \$12,750,000 of Class B Units and \$10,000,000 of Class C Units are issued pursuant to this Prospectus and that no Units are issued pursuant to a concurrent private placement; or
- (b) approximately 7.7% assuming the Maximum Offering is completed and that (i) \$90,000,000 of Class A Units, \$30,000,000 of Class B Units, and \$10,000,000 of Class C Units are issued pursuant to this Prospectus and that no Units are issued pursuant to a concurrent private placement.

13.2 Insurance Coverage for Trustees and Officers and Indemnification

The Fund and its Subsidiaries will obtain or cause to be obtained a policy or policies of insurance for the Trustees and executive officers of the Fund and each corporate Subsidiary. Under such policy or policies, each Entity will have reimbursement coverage to the extent that it has indemnified the trustees, directors and officers, as applicable. The policy or policies will include securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Fund and its Subsidiaries, and their trustees, directors and officers, as applicable. In addition, the Fund and its Subsidiaries will each indemnify its trustees, directors and officers, as applicable, from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office.

13.3 Corporate Cease Trade Orders or Bankruptcies, Penalties or Sanctions

No current Trustee or executive officer of the Fund or promoter of the Fund, or a unitholder holding a sufficient number of securities to materially affect the control of the Fund is, or was within the ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company that (i) was subject to a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation, in each case in effect for a period of more than 30 consecutive days, that was issued while that person was acting in the capacity of a director, chief executive officer or chief financial officer of that company, or (ii) was subject to such an order that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the person was acting in that capacity.

No current Trustee or executive officer of the Fund or promoter of the Fund, or a unitholder holding a sufficient number of securities to materially affect the control of the Fund is, or within the ten years prior to the date hereof has been, a director or executive officer of any company (including the Fund) that, while that person was acting in that capacity or within a year of ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. In addition, no current director or executive officer of the Fund has, within the ten years prior to the date hereof become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the current Trustee, executive officer, promoter or unitholder.

No current Trustee or executive officer of the Fund or promoter of the Fund or any unitholder holding a sufficient number of securities to materially affect the control of the Fund, is or has been (i) subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Lawrence D. Wilder entered into a settlement agreement dated May 24, 2002 with the OSC in connection with the OSC's proceeding brought in connection with YBM Magnex International Inc. The OSC had alleged that Mr. Wilder had made misleading statements in certain of his correspondence with OSC staff concerning due diligence in the course of clearing a final prospectus on behalf of his client. Pursuant to the settlement agreement, the proceeding was settled on the basis that Mr. Wilder provided an apology to the OSC staff (which was accepted) and agreed to pay certain costs incurred by the OSC in connection with the proceeding. There were no sanctions or penalties imposed on Mr. Wilder in connection with this matter.

14. THE MANAGER AND THE MANAGEMENT AGREEMENT

14.1 The Manager

The Fund will be managed by the Manager, a limited partnership formed under the laws of the Province of Ontario and a Subsidiary of Starlight Group, which will be engaged by the Fund in the identification, acquisition, ownership, operation and disposition of income-producing multi-family properties. Led by a team of industry veterans with a record of creating long-term investor value, Starlight is an experienced multi-family real estate owner and asset manager. Starlight's principal, Mr. Drimmer, has over 25 years of experience identifying undervalued properties in the multi-family real estate sector, acquiring such properties and realizing value through individual asset or portfolio sales. The other members of senior management, including Glen Hirsh, Martin Liddell and David Hanick, have significant experience in the multi-family real estate sector. As a result of Starlight's reputation for transacting and its prior experience in the Canadian multi-family sector including in Western Canada, Starlight has a strong pipeline and an established network in Western Canada from which to source future acquisitions.

Starlight has (a) established a track record as a real estate asset manager of similar assets and (b) a demonstrated ability to identify opportunities for superior returns in the Primary Markets. Starlight has repositioned over 10,000 suites with a total capital cost of over \$1 billion, achieving greater than 30% rental gain post upgrades

Starlight currently owns and/or asset manages \$25.0 billion in assets in Canada and the U.S., including more than 900 properties, approximately 70,000 multi-family suites (of which approximately 10,000 multi-family suites are located in the United States primarily in Sunbelt and Mountain states having a current value of approximately \$4.0 billion and of which approximately 60,000 multi-family suites are located in Canada spread across seven provinces and all three territories, with a current approximate value of \$19.0 billion and generating a 24% realized gross internal rate of return since inception), and approximately 9,000,000 square feet of commercial space in Canada through various entities (spread across six provinces and

two territories with a current approximate value of \$2.0 billion), including in partnership with several global institutional investors and family offices. Starlight has significant expertise in Western Canada with 9,500 multi-family suites under management with a value of approximately \$3.2 billion. Starlight has extensive experience overseeing and working with publicly listed entities and currently provides services to five publicly listed entities: True North Commercial REIT (TSX: TNT.UN), Northview Canadian High Yield Residential Fund (TSX: NHF.UN), Starlight U.S. Multi-Family (No. 2) Core Plus Fund (TSX-V: SCPT.A and SCPT.U) and Starlight U.S. Residential Fund (TSX-V: SURF.A and SURF.U). Starlight believes it has been among North America's most active real estate investors since its inception in 1995 and employs approximately 339 professionals. Starlight has completed transactions having an aggregate value of over \$38.0 billion, with a transaction volume of approximately 130,000 residential suites. Starlight has over \$9.0 billion of invested capital and has raised over \$1.5 billion from public offerings. Starlight co-invests a significant amount of equity in every new fund to ensure meaningful alignment of interests with investors.

Starlight also operates Starlight Capital, which focuses on listed global real estate and infrastructure securities through structured products, mutual funds and exchange traded funds, the principals of which have over 12 years of publicly listed investment management experience.

As of December 31, 2020, Starlight has achieved a 25% gross internal rate of return, composed of leveraged fund level returns (before asset management and carried interest payments) on realized investments in its overall portfolio, across all investment structures, including private and public funds.

During the past ten years, Starlight's principal, Daniel Drimmer, has acquired, operated and sold in excess of 130,000 residential suites. Also, during this time period, Starlight has established a reputation for identifying acquisitions, repositioning assets and driving value through a hands-on asset management approach as well as executing financing strategies. Starlight's speed of execution for acquisitions is due to its disciplined yet entrepreneurial decision-making approach and flat organizational structure. The Manager is wholly-owned by Starlight and controlled by its principal, Daniel Drimmer (see the biography of Mr. Drimmer under "Trustees and Officers – Name, Address, Occupation and Security Holdings – Personal Profiles").

In addition to Mr. Drimmer, Mr. Hirsh, Mr. Liddell and Mr. Hanick, Starlight's executive leadership also comprises:

David Chalmers, President, Canadian Multi-Family: Mr. Chalmers leads the Canadian asset management, investments, capex and development groups at Starlight and has over 20 years of experience managing real estate investments for private, public and pension fund stakeholders.

Todd Cook, Chief Executive Officer, Northview Canadian High Yield Residential Fund: Mr. Cook previously led Northern Property Real Estate Investment Trust's acquisition of True North Apartment Real Estate Investment Trust in 2015, forming Northview Apartment Real Estate Investment Trust and has over 20 years of experience in real estate and finance

Evan Kirsh, President, U.S. Multi-Family: Mr. Kirsh has been involved in acquisition, asset management and operation of over \$10 billion of multi-family assets and has over 30 years of real estate experience, including the last 20 years dedicated exclusively in multi-family.

Graeme Llewellyn, Chief Financial Officer and Chief Operating Officer, Starlight Capital: Mr. Llewellyn previously held executive positions with Sentry Investments and Deloitte & Touche LLP and has over 15 years of asset management and creation, operation and mutual fund financial reporting experience.

Raj Mehta, President, Global Markets: Mr. Mehta previously led Goldman Sachs's European sovereign wealth and pension fund investment banking group and has deep expertise in private and public markets in North America and Europe with over 20 years of experience.

Dennis Mitchell, Chief Executive Officer and Chief Investment Officer, Starlight Capital: Mr. Mitchell previously led Sentry Investments' management team and oversaw \$18 billion of assets, is a multiple Brendan Wood International TopGun recipient and has over 15 years experience managing over \$3 billion of investment capital.

Tracy Sherren, President, Canadian Commercial and President & Chief Financial Officer, True North Commercial Real Estate Investment Trust: Ms. Sherren has extensive experience in transaction structuring, has participated in over \$1 billion of financings and led asset management, acquisition due diligence, real estate development teams and has over 25 years of real estate finance experience.

Leslie Veiner, Chief Executive Officer, Canadian Commercial and Chief Executive Officer, True North Commercial Real Estate Investment Trust: Mr. Veiner previously held senior executive positions at Northview Apartment Real Estate

Investment Trust, True North Apartment Real Estate Investment Trust, TransGlobe Apartment Real Estate Investment Trust and Chartwell Senior Housing Real Estate Investment Trust and has over 20 years of experience in real estate and finance.

Sarah Walker, *Chief Financial Officer, Northview Canadian High Yield Residential Fund*: Ms. Walker previously held various positions including Vice President Controller & Supply Chain from 2015-2021 with West Jet Airlines Ltd. prior to joining Starlight in 2021, and has over 20 years of accounting and finance experience.

Results of Starlight Western Canada Multi-Family Limited Partnership

Western Canada Multi-Family LP was launched on December 18, 2020. Western Canada Multi-Family LP targeted income-producing multi-family real estate properties in Western Canada that demonstrated value. As at September 30, 2021, the fair value of the properties comprising the Western Canada Multi-Family LP portfolio was \$196.78 million resulting in Western Canada Multi-Family LP recognizing an increase in the value of the properties of \$24.1 million from the date of acquisition of each such property to September 30, 2021. The fair values are based on the appraised values and reflect the underlying fundamentals and market conditions as well as the Manager's active asset management strategy. As at September 30, 2021, Western Canada Multi-Family LP raised a total of \$47.5 million in equity and had a distribution yield of 3.5%.

The information about performance of other investment funds managed by the Manager or its affiliates presented herein should not be construed to be indicative of future performance of the Fund. See "Risk Factors – Risk Factors Relating to the Fund – Prior Fund Performance May Not be Indicative of Future Performance".

14.2 The Management Agreement

Pursuant to the terms of a management agreement to be entered into among the Fund, the Holding LP and the Manager (the "**Management Agreement**"), the Manager will be appointed as the sole and exclusive manager of the affairs of the Fund. The Manager will provide the Fund and the Holding LP with the strategic, advisory, asset management, administrative, leasing, construction management and administrative services necessary to manage the day-to-day operations of the Fund and the Properties. In carrying out its obligations under the Management Agreement, the Manager will be required to exercise its powers and discharge its duties diligently, honestly, in good faith and in the best interests of the Fund, including exercising the standard of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

The services to be provided by the Manager under the terms of the Management Agreement include, without limitation: (i) the structuring of the Offering, the Fund and the Holding LP, (ii) liaising with legal and tax counsel, (iii) identifying Properties for acquisition, (iv) maintaining ongoing relationships with the lenders in respect of the Mortgage Loans and other debt (if any) for the Properties, (v) conducting continuous analysis of market conditions to monitor the Holding LP's investment in the Properties, (vi) advising the Fund and/or the Holding LP and with respect to the Disposition of the Properties, (vii) providing investor communication and reporting services to the Fund, and (viii) doing all such other acts or things and entering into agreements or documents on behalf of the Fund and/or the Holding LP to seek to achieve the investment objectives of the Fund.

Notwithstanding the above, it may at times be prudent for the Manager to delegate certain of its responsibilities under the Management Agreement to third party providers. In the event the Manager was to outsource any of its obligations under the Management Agreement, such delegation will be done at the expense of the Manager and will not relieve the Manager of its obligations under the Management Agreement.

The personnel engaged by the Manager will not be employees of the Fund. The Manager will provide such administrative, executive and management personnel as may be reasonably necessary to perform its obligations by using its own employees and consultants and will therefore be responsible for all matters with respect to such employees and consultants. Pursuant to the terms of the Management Agreement, the Manager will bear all costs and expenses incurred by the Manager in connection with all salaries, employee expenses, consulting arrangements, office rent and equipment, and other expenses customarily considered to be overhead expenses. The Fund and the Holding LP will be responsible for reimbursing the Manager for all travel expenses related to performance of the Manager's obligations under the Management Agreement. The Manager will provide the services of each of Mr. Drimmer, as President and Chief Executive Officer, Glen Hirsh as Chief Operating Officer, Martin Liddell, as Chief Financial Officer, and Mr. Hanick, as Corporate Secretary, to the Fund.

The term of the Management Agreement will continue, subject to earlier termination in certain circumstances, until the winding-up or dissolution of the Fund. The Management Agreement can be terminated early in certain circumstances, including (i) upon the dissolution, liquidation, bankruptcy, insolvency or winding-up of the Manager, and (ii) in the event that Mr. Drimmer is no longer associated with the Manager.

The Management Agreement contains indemnification provisions whereby the Fund will indemnify the Manager against any loss, expense, damage or injury suffered in the scope of its authority under the Management Agreement, provided the same does not result from wilful misconduct, bad faith, gross negligence or breach of the Manager's standard of care owed under the Management Agreement. In addition, under the Management Agreement, the Manager will indemnify the Fund against any loss, expense, damage or injury suffered as a result of the Manager's wilful misconduct, bad faith, gross negligence or breach of its standard of care owed under the Management Agreement.

For its services, the Manager will be paid the following fees, either in cash or Class C Units issued at their Net Asset Value per unit, or a combination of the foregoing:

- (a) In consideration for providing management services, the Fund and/or the Holding LP will pay the Manager an aggregate base annual management fee (the "**Asset Management Fee**") calculated and payable on a monthly basis in arrears in cash on the first day of each month equal to 0.35% of Gross Asset Value.
- (b) In consideration for providing financing and other services in connection with the acquisition of the Properties, the Fund and/or the Holding LP will pay the Manager an aggregate acquisition fee (the "**Acquisition Fee**") equal to 1.00% of the purchase price paid by the Fund for the purchase of a Property. Such Acquisition Fee shall be paid in full upon the completion of the purchase of each such Property. In consideration for providing financing and other services in connection with the acquisition of the Initial Portfolio, the Fund and/or the Holding LP will pay the Manager an aggregate acquisition fee of approximately \$2,188,810 (including HST) upon the completion of the purchase of the Initial Portfolio.
- (c) In the event the Manager or any of its Affiliates is required by the lenders to provide a financing guarantee in connection with an amount borrowed by the Fund or its Subsidiaries relating to a Property, the Fund and/or the Holding LP will, in consideration for providing such guarantee, pay the Manager, in the aggregate, an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds borrowed by the Fund and its Subsidiaries, which Guarantee Fee shall be calculated and payable to the Manager or its appointee on a monthly basis in arrears in cash on the last day of each month during the term of the Management Agreement.
- (d) The Manager expects the third party property managers of the Properties to undertake capital improvements (including supervising repairs, alterations renovations and construction in connection with an acquired Property).

Assuming the Minimum Offering is completed and that management salaries remain at current levels, the Manager estimates that the salaries of (i) the management team will comprise approximately 20% of the Asset Management Fee (excluding bonus compensation and benefits, which vary from year to year) and (ii) the dedicated western Canadian multi-family personnel (including the management team) will comprise 80% of the Asset Management Fee (excluding bonus compensation and benefits, which vary from year to year). The dedicated western Canadian multi-family team currently comprises three members.

The Manager will receive an Acquisition Fee in respect of the Initial Portfolio of \$2,188,810 (including HST) and representing 3.6% of the Gross Subscription Proceeds of the Minimum Offering. In the event the Maximum Offering is raised, this Prospectus assumes the acquisition of \$220,000,000 of additional Properties over and above the Initial Portfolio, resulting in an assumed additional Acquisition Fee of \$2,486,000 (including HST), and an aggregate overall payment of \$4,674,810 (including HST), representing 3.6% of the Gross Subscription Proceeds.

14.3 Potential Conflicts of Interest (Trustees and Officers)

The Manager is owned indirectly and controlled by Daniel Drimmer. Pursuant to the Management Agreement, the Manager will be receiving various fees and payments from the Fund and the Holding LP in respect of the acquisition and disposition of Properties and asset management and other services provided thereunder. D.D. Acquisitions Partnership is owned indirectly and controlled by Daniel Drimmer. Pursuant to the limited partnership agreement for the Holding LP, D.D. Acquisitions Partnership will be participating in the profits of the Holding LP. Mr. Drimmer, through Starlight Group, will also indirectly own or control Class C Units and have a voting interest in the Fund of approximately:

- (a) approximately 9.8% assuming the Minimum Offering is completed and that (i) \$38,250,000 of Class A Units, \$12,750,000 of Class B Units and \$10,000,000 of Class C Units are issued pursuant to this Prospectus and that no Units are issued pursuant to a concurrent private placement; or

- (b) approximately 4.6% assuming the Maximum Offering is completed and that (i) \$90,000,000 of Class A Units, \$30,000,000 of Class B Units, and \$10,000,000 of Class C Units are issued pursuant to this Prospectus and that no Units are issued pursuant to a concurrent private placement.

Mr. Drimmer is not in any way limited by the Fund or affected in his ability to carry on other business ventures for his own accounts and for the accounts of others, other than pursuant to any duties he owes to the Fund, in his capacity as a Trustee and officer of the Fund, and is now, and intends in the future to be, engaged in the development of, investment in and management of other real estate properties. Mr. Drimmer will not have any obligation to account to the Fund or the Unitholders for profits made in such other activities.

The Manager's continuing businesses, including its role in providing asset management services to other issuers other than the Fund may lead to conflicts of interest between the Manager and the Fund, including with Starlight Western Canada Multi-Family Limited Partnership. The Fund may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the Fund than if it were dealing with a party that was not a significant holder of an interest in the Fund. The agreement that the Fund entered into with the Manager may be amended upon agreement between the parties, subject to Applicable Laws and approval in certain cases of the independent Trustees. Because of the proposed significant holdings of the principal of the Manager in the Fund, the Fund may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the Fund as those the Fund would negotiate with a party that was not a significant holder of an interest in the Fund.

In addition, the Trustees and executive officers of the Fund and the Manager may be involved in other ventures in the western Canadian multi-family sector with similar investment objectives to the Fund that also target the Primary Markets that may lead to conflicts of interest between such Trustees, officers, the Manager and the Fund. As a result, the Fund may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the Fund than if it were dealing with an arm's length third party. The Declaration of Trust contains provisions respecting potential conflicts of interest that may arise with Trustees. See "Description of the Securities Distributed – Units – Distributions". Additionally, the Board will comprise a majority of independent Trustees.

Additionally, affiliates of the Manager, including Starlight Group and its affiliates, may, from time to time, deal with the Fund or with parties with whom the Fund may be dealing, including in respect of the indirect purchase by the Fund of a 100% interest in the Langford Property and the Nanaimo Property, respectively, from an entity managed and partially owned by an Affiliate of Starlight Group. The Management Agreement contains conflict of interest provisions requiring the Manager to deal in good faith and in a fair, equitable and even handed manner in respect of any conflict of interest that may exist between the interests of the Fund and the interests of the Manager or any of its affiliates, including Starlight Group and its affiliates. However, there can be no assurance that the provisions of the Management Agreement will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the Fund. See "Risk Factors – Risk Factors Relating to the Fund – Potential Conflicts of Interest".

15. EXECUTIVE COMPENSATION

15.1 Executive and Director Compensation

The Fund is a recently established entity and has not completed a financial year. For the period from formation on November 12, 2021 to the date of the Prospectus, no compensation was paid by the Fund to the Trustees or to the executive officers. The Fund intends to pay its Trustees annual compensation in the amount of \$12,500 per annum. No compensation will be paid by the Fund to the individuals performing the functions of executive officers of the Fund. The Manager has not yet determined what proportion of the compensation or fees it pays to the individuals performing the functions of executive officers for the Fund will be attributable to the services provided by such individuals to the Fund.

15.2 Long Term Incentive Plan, Stock Appreciation Rights and Stock Option Grants

The Fund does not and will not have a long-term incentive plan pursuant to which cash or non-cash compensation has been or will be paid or distributed to any executive officer or Director. The Fund does not and will not have any stock appreciation rights or incentive plans. The Fund has not issued and will not issue any stock options to any executive officer or Trustee.

15.3 Pension Plan Benefits

The Board does not have and will not implement a pension plan for its executive officers or Trustees.

15.4 Termination of Employment, Change in Responsibilities and Employment Contracts

The Fund has not entered into and will not enter into any employment contracts or arrangements with the individuals acting in the capacity of executive officers or the Trustees that provide for any payments in connection with any termination and the Management Agreement will not provide for any incremental payments by the Fund or its Subsidiaries in respect of the Manager's termination of any individuals performing the functions of an executive officer for the Fund.

15.5 Compensation Committee

The Fund does not have a compensation committee.

15.6 Indebtedness of Trustees and Executive Officers

None of the Trustees or executive officers of the Fund are indebted to the Fund.

16. AUDIT COMMITTEE AND CORPORATE GOVERNANCE

16.1 Audit Committee

The audit committee of the Board comprises Mandy Abramsohn, Denim Smith and Lawrence D. Wilder, each of whom are "independent" and "financially literate" within the meanings of sections 1.4 and 1.6 of NI 52-110, respectively. Mandy Abramsohn and Lawrence D. Wilder, being a majority of the audit committee of the Board, are also "independent" within the meaning of section 1.5 of NI 52-110. Denim Smith, as Managing Director, Investment Banking (Real Estate) of Echelon Wealth Partners Inc., is deemed to not be "independent" for purposes of the audit committee of the Board within the meaning of section 1.5 of NI 52-110 since Echelon Wealth Partners Inc. is one of the Agents. As a "venture issuer" under applicable securities laws, the Fund is permitted to have an audit committee not comprised exclusively of independent trustees and the Fund is relying on such an exemption in Section 6.1.1 of NI 52-110. See the biographies of Mandy Abramsohn, Denim Smith and Lawrence D. Wilder above under "Trustees and Officers – Name, Address, Occupation and Security Holdings – Personal Profiles" for a description of the experience that is relevant to the performance of their responsibilities as audit committee members.

The audit committee will assist the Fund in fulfilling its responsibilities of oversight and supervision of its accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of its financial statements. In addition, the audit committee will be responsible for directing the auditors' examination of specific areas, for the selection of the Fund's independent auditors and for the approval of all non-audit services for which its auditors may be engaged. The audit committee is also responsible for determining the Net Asset Value. The audit committee shall determine Net Asset Value no less frequently than quarterly based on such information as the audit committee deems appropriate, including, but not limited to, appraisals, valuations, market comparables, any notional Carried Interest and other data available to the Fund.

The Board has adopted a written charter for the audit committee which sets out the audit committee's responsibility in reviewing the financial statements of the Fund and public disclosure documents containing financial information and reporting on such review to the Board, review of the Fund's public disclosure documents that contain financial information, oversight of the work and review of the independence of the external auditors and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the audit committee charter is attached to this Prospectus as "Schedule A".

At no time since the establishment of the Fund has a recommendation of the audit committee to nominate or compensate an external auditor not been adopted by the Trustees. The audit committee has not yet adopted specific policies and procedures for the engagement of non-audit services.

The Fund is recently established and has not yet had a fiscal year end. As a result, there have been no fees billed to the Fund by its auditors, BDO Canada LLP, in respect of the Fund's last two fiscal years.

16.2 Corporate Governance

The Fund has a Board consisting of three Trustees, all of whom are independent within the meaning of 58-101 – *Disclosure of Corporate Governance Practices* and 33% of which are female.

The Declaration of Trust provides that, subject to certain conditions, the Trustees will have absolute and exclusive power, control and authority over the Fund's assets and operations, as if the Trustees were the sole absolute legal and beneficial owners of the Fund's assets. The governance practices and the Investment Restrictions and Operating Policy of the Fund will be overseen by a Board of Trustees consisting of three Trustees, a majority of whom will be Canadian residents.

At each meeting of the Board, there will be an in-camera meeting at which members of management are not present. The Board has appointed Denim Smith as chair of the Board. The Board has held no meetings since the establishment of the Fund.

The mandate of the Board is one of stewardship and oversight of the Fund and its business. In fulfilling its mandate, the Board will adopt a written charter setting out its responsibility, among other things, for (i) supervising the activities and managing the investments and affairs of the Fund, (ii) approving major decisions regarding the Fund, (iii) overseeing the Manager and the fulfillment of its responsibilities under the Management Agreement, (iv) identifying and managing risk exposure, (v) ensuring the integrity and adequacy of the Fund's internal controls and management information systems, (vi) succession planning, (vii) maintaining records and providing reports to Unitholders, (viii) ensuring effective and adequate communication with Unitholders, other stakeholders and the public, (ix) determining the amount and timing of distributions to Unitholders, and (x) acting for, voting on behalf of and representing the Fund as a holder of Holding LP Class A Units.

All newly appointed Trustees will be provided with a comprehensive orientation as to the nature and operation of the business and affairs of the Fund and as to the role of the Board and its committees. The orientation program will be designed to assist the Trustees in fully understanding the nature and operation of the Fund's business, the role of the Board and its committees and the contributions that individual Trustees are expected to make.

The Board has not developed written position descriptions for any committee chairs or the Chief Executive Officer. The Board will delineate the roles and responsibilities of the chair of the Board or of any committee chairs by consensus among the Trustees from time to time.

The Fund will adopt a written code of business conduct and ethics (the “**Code of Conduct**”) that applies to all Trustees, officers, and the Manager and its employees. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the Fund and its Subsidiaries. The Code of Conduct will address honest and ethical conduct, conflicts of interest, confidentiality, protection and proper use of the Fund's assets, compliance with laws and reporting any illegal or unethical behavior, prompt internal reporting of any violations of the Code and accountability for adherence under the Code. As part of the Code of Conduct, any person subject to the Code of Conduct will be required to avoid or fully disclose interests or relationships that are harmful or detrimental to the Fund's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Code of Conduct will also address matters concerning public disclosure and ensure that communications with the public concerning the Fund are timely, consistent and credible, and in accordance with the disclosure requirements under applicable securities laws. The Board will have the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct will also be filed with the Canadian securities regulatory authorities on SEDAR at www.sedar.com.

The Fund will also adopt an insider trading policy (the “**Insider Trading Policy**”) which will apply to, among others, all Trustees, officers, and the Manager and its employees. The objective of the Insider Trading Policy is to ensure that any purchase or sale of securities occurs without actual or perceived violation of applicable securities laws. The Insider Trading Policy will provide for “blackout” periods during which insiders and other persons who are subject to the policy are prohibited from trading in securities of the Fund. The Insider Trading Policy will also prohibit insiders and other persons who are subject to the policy from trading in securities of the Fund during the period commencing on the first day following the last month of each fiscal quarter and ending 24 hours following the issue of a press release in respect of the Fund's interim or annual financial statements. Additional black-out periods may also be prescribed from time to time by the Fund's administrators of the Insider Trading Policy at any time at which it is determined there may be undisclosed inside information concerning the Fund that makes it inappropriate for personnel to be trading. In such circumstances, the administrators of the Insider Trading Policy will issue a notice instructing these individuals not to trade in securities of the Fund until further notice. This notice will contain a reminder that the fact there is a restriction on trading may itself constitute inside information or information that may lead to rumours and must be kept confidential.

The standard of care and duties of the Trustees provided in the Declaration of Trust are similar to those imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee is required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent director would exercise in comparable circumstances. The Declaration of Trust provides that each Trustee is entitled to indemnification from the Fund in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with

a view to the best interests of the Fund or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

If and when a Trustee resigns, the remaining Trustees will identify potential candidates for nomination to the Board, with a view to ensuring overall diversity of experience and skill, or failing an appointment by the remaining Trustees, the Manager shall appoint a replacement Trustee or Trustees to the Board.

The Board does not have a compensation committee. The Board has no committees other than the audit committee. The Trustees will be regularly assessed with respect to their effectiveness and contribution.

17. PLAN OF DISTRIBUTION

17.1 Maximum and Minimum Offering

The Agents, by this Prospectus, are offering to sell to the public in each of the provinces of Canada, other than Québec, up to a maximum of \$130,000,000 (less the amount of any concurrent private placements) of Class A Units and/or Class B Units and/or Class C Units at a price of \$10.00 per Unit. The Fund may issue additional trust units, including trust units of a new class, by way of private placement concurrent with the closing of the Offering at a price of \$10.00 per Unit, provided that the proceeds of any such private placements together with the proceeds of the Offering, do not exceed the Maximum Offering amount. The terms of the Offering were determined by negotiation between the Agents and the Manager, on behalf of the Fund.

There is currently no market through which the Units may be sold, and such a market may not develop, and Purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing and liquidity of the securities in the secondary market, if one should develop, the transparency and availability of trading prices, and the extent of issuer regulation. See “Risk Factors”. As at the date of this Prospectus, the Fund does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or any other marketplace within or outside Canada and the U.S. See “Plan of Distribution”.

There will be no closing of the Offering unless the Minimum Offering is achieved. The minimum subscription amount is \$1,000 in respect of the Class A Units, Class B Units and Class C Units. The Closing Date of the Offering will not proceed unless all preconditions to the closing of the acquisitions of the Properties comprising the Initial Portfolio have been satisfied or waived. The Agents will hold in trust all funds received from subscriptions until the Minimum Offering has been raised. If the Minimum Offering is not achieved within the distribution period, the Agents will return the funds to the Purchasers without any deductions, unless the subscribers have otherwise instructed the Agents.

The Units have not been and will not be registered under the U.S. Securities Act or the securities laws of any states in the U.S. and, subject to certain exceptions, may not be offered or sold in the U.S. The Agents have agreed that they will not offer or sell the Units within the U.S. except to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) or to a limited number of institutional accredited investors (as defined in the U.S. Securities Act). In addition, until 40 days after Closing Date, an offer or sale of Units within the U.S. by any dealer (whether or not participating in the Offering) may violate the registration provisions of the U.S. Securities Act unless made in compliance with Rule 144A or another exemption under the U.S. Securities Act.

The Fund and the Manager have agreed to indemnify the Agents and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under Canadian securities legislation, and to contribute to any payments the Agents may be required to make in respect thereof.

17.2 Timing of Distribution

The Closing Date is expected to be on or about February 22, 2022 or such later date as the Fund and the Agents may agree, but in any event not later than March 30, 2022. There will be no closing of the Offering unless the Minimum Offering is achieved. The Minimum Offering amount will be reduced by the aggregate subscription amount for Units sold pursuant to any private placement concurrent with the closing of the Offering. The distribution under the Offering will not continue for a period of more than 90 days after the date of the receipt obtained from the principal securities regulatory authority for this Prospectus. If one or more amendments to this Prospectus are filed and the principal securities regulatory authority has issued a receipt for any such amendment, the distribution under this Offering will not continue for a period of more than 90 days after the latest date of a receipt for any such amendment. In any case, the total period of distribution under the Offering will not continue for a period of more than 180 days from the date of the receipt for this Prospectus. If the Minimum Offering is not

achieved during the 90-day period, subscription funds received by the Agents will be returned to subscribers without any deductions, unless the subscribers have otherwise instructed the Agents.

17.3 Agency Agreement

Pursuant to an Agency Agreement made as of January 27, 2022, the Agents have agreed to conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement, in consideration of the Agents' Fee equal to the aggregate of 2.25% of the aggregate purchase price of Class A Units and 5.25% of the aggregate purchase price of the Class B Units sold under the Offering. The Agents' Fee for the Class B Units includes a selling concession of 3.0%. No Agents' Fee or other commissions are payable in connection with the issuance of Class C Units.

The obligations of the Agents under the Agency Agreement may be terminated at any time at the Lead Agent's discretion on the basis of its assessment of the state of the financial markets and may also be terminated at any time on the occurrence of certain stated events.

Currently, the Agents do not beneficially own, directly or indirectly, any securities of the Fund. Other than as disclosed in this section, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder, or any other person or company in connection with this Offering.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Offering will be conducted under the NCI system. Units registered in the name of CDS or its nominee will be deposited electronically with CDS on an NCI basis at the Closing Date. A subscriber who purchases Offered Units will receive only a customer confirmation from the registered dealer from or through whom Offered Units are purchased and who is a CDS participant.

Registration and transfers of Units will be effected by TSX Trust Company as transfer agent.

17.4 Relationship Between the Fund and Certain Agents

The Fund will be financing a portion of the purchase price for the Initial Portfolio through one or more mortgages with a Canadian chartered bank that is an Affiliate of the Lead Agent. Further, Denim Smith (a pending member of the Board of Trustees of the Fund) is Managing Director, Investment Banking (Real Estate) of Echelon Wealth Partners Inc., one of the Agents. Consequently, the Fund may be considered a "connected issuer", as such term is defined in National Instrument 33-105 – *Underwriting Conflicts*, of each of the Lead Agent and Echelon Wealth Partners Inc.

The decision to issue the Units and the determination of the terms of the Offering were made through negotiation between the Lead Agent and the Manager, on behalf of the Fund. The Canadian chartered bank that is an Affiliate of the Lead Agent did not have any involvement in such decision or determination. As a consequence of the Offering, each of the Lead Agent and Echelon Wealth Partners Inc. will receive its proportionate share of the Agents' Fee. See "Use of Proceeds". Each Agent may also receive amounts in respect of any concurrent private placement.

18. CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, and Wildeboer Dellelce LLP, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the acquisition, holding and disposition of Units by a Unitholder who acquires Units pursuant to this Offering and who, for purposes of the Tax Act and at all relevant times, (i) is or is deemed to be resident in Canada, (ii) deals at arm's length with the Fund and each of the Agents and is not affiliated with the Fund or any of the Agents, and (iii) acquires and holds their Units as capital property (a "**Holder**"). Generally, Units will be considered to be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. A Holder whose Units might not otherwise be considered to be capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have such Units, and any other "Canadian security", as defined in the Tax Act, owned by such Holder in the taxation year in which the election is made or any subsequent taxation year, deemed to be capital property. Holders who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a holder (i) that is a “financial institution” for purposes of the “mark-to-market rules” in the Tax Act, (ii) an interest in which is a “tax shelter investment”, (iii) that has elected to report its “Canadian tax results” in a currency other than Canadian currency, or (iv) that has entered or will enter into a “derivative forward agreement” with respect to Units (in each case within the meaning of the Tax Act). Such holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units. In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money to acquire Units under the Offering.

The characterization of gains and losses from dispositions of properties as being on capital or income account will depend on the specific facts and circumstances relating to each such property. Accordingly, no assurances can be given as to the nature of such gains and losses. However, counsel has been advised that the Fund expects that it and its subsidiaries will generally take the position that all relevant properties of the Fund and its subsidiaries will be held as capital property.

This summary is based on the facts set out in this Prospectus, a certificate as to certain factual matters from an officer of the Fund, the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”), and counsel’s understanding of the current administrative policies and assessing practices of the CRA made publicly available in writing prior to the date hereof. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, or changes in the CRA’s administrative policies and assessing practices, nor does it take into account or consider any other federal tax considerations or any provincial, territorial or foreign tax considerations, which may differ materially from those discussed herein. This summary assumes that the Tax Proposals will be enacted as currently proposed, but no assurances can be given that this will be the case. There can be no assurances that the CRA will not change its administrative policies or assessing practices.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Units. The income and other tax consequences of acquiring, holding or disposing of Units will vary depending on a Holder’s particular status and circumstances, including the province or territory in which the Holder resides or carries on business. This summary is not intended to be, and should not be construed to be, legal or tax advice to any particular Holder. Prospective Unitholders should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units in their particular circumstances.

For the purposes of this summary, a reference to the Fund is a reference to Starlight Western Canada Multi-Family (No. 2) Fund only and is not a reference to any subsidiary entity, including the Holding LP.

Status of the Fund

Qualification as a “Mutual Fund Trust”

This summary assumes that the Fund will, at all relevant times, qualify as a “mutual fund trust” for the purposes of the Tax Act and that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established. Counsel has been advised that the Fund intends to ensure that it will meet the requirements necessary for it to qualify as a mutual fund trust for the purposes of the Tax Act no later than the closing of the Offering and at all times thereafter, and to file the necessary election pursuant to subsection 132(6.1) of the Tax Act so that the Fund will qualify as a mutual fund trust from its date of formation. If the Fund were not to qualify as a mutual fund trust at any particular time, the tax considerations for the Fund and Holders would, in some respects, be materially and adversely different from those described herein.

The SIFT Rules

The Tax Act contains rules (the “**SIFT Rules**”) which tax certain publicly-traded or listed trusts and partnerships in a manner similar to corporations and which treat certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation.

The SIFT Rules apply to any trust or partnership that is a “SIFT trust” or “SIFT partnership” (each as defined in the Tax Act) and its investors. A SIFT trust (or partnership) is defined as a Canadian resident trust (or partnership) if “investments” (as defined in the Tax Act for purposes of the SIFT Rules) in the trust (or partnership) are listed or traded on a stock exchange or other “public market” (as defined in the Tax Act for purposes of the SIFT Rules), and the trust (or partnership) holds one or more “non-portfolio properties” (as defined in the Tax Act). Non-portfolio properties include (i) certain investments in real properties situated in Canada, (ii) certain investments in corporations and trusts resident in Canada, (iii) certain investments in corporations, trusts and partnerships with other specified connections to Canada, and (iv) certain property used in the course of carrying on a business in Canada.

Pursuant to the SIFT Rules, a SIFT trust is not permitted to deduct any amount that it pays or makes payable to its beneficiaries in respect of its aggregate (i) net income from businesses it carries on in Canada; (ii) net income (other than taxable dividends received by the SIFT trust) from its non-portfolio properties; and (iii) net taxable capital gains from dispositions of non-portfolio properties. Distributions which a SIFT trust is unable to deduct will be taxed in the SIFT trust at rates of tax which approximate the combined federal and provincial corporate income tax rates. Distributions of a SIFT trust's income that are not deductible to the SIFT trust will be treated as taxable dividends received from a taxable Canadian corporation. A Holder that receives such a distribution will be required to include the distribution in income as a dividend, subject to the enhanced gross-up and dividend tax credit rules normally applicable to "eligible dividends" received from a taxable Canadian corporation. In general, distributions that are paid as returns of capital will not be subject to the SIFT Rules.

Because the SIFT Rules do not apply to a partnership or trust that does not have "investments" (as defined for purposes of the SIFT Rules) listed or traded on a stock exchange or other public market (the "**Public Market Exemption**"), provided that the Units are not and will not be listed or traded on a stock exchange or other public market (within the meaning of the SIFT Rules), the Fund will not be a SIFT trust for purposes of the SIFT Rules. This summary assumes that the Fund will continue to qualify for the Public Market Exemption at all relevant times.

The balance of this summary assumes that the Fund will not be a SIFT trust and the Holding LP will not be a SIFT partnership, at all relevant times. Should these assumptions not be correct, the income tax consequences for Holders may be materially and adversely different from those described in this summary—among other differences, the Fund or the Holding LP may be subject to tax which approximates federal and provincial corporate income taxation, and certain amounts distributed by the Fund may be included in the income of Holders for purposes of the Tax Act as taxable dividends.

Taxation of the Fund

The Fund will be subject to tax under Part I of the Tax Act on its income for each taxation year, including net realized taxable capital gains in the year and its allocated share of income (or loss, subject to the "at risk" rules described below) of Holding LP for Holding LP's fiscal period ending on or before the Fund's taxation year-end, less the portion thereof that it deducts in respect of amounts paid or payable, or deemed to be paid or payable, to Unitholders in the year. An amount will not be considered to be payable to a Unitholder in a taxation year unless the Fund pays it to the Unitholder in the year or the Unitholder is entitled in that year to enforce payment of the amount. The taxation year of the Fund is the calendar year.

Generally, distributions from Holding LP to the Fund in excess of its allocated share of the income of Holding LP for a fiscal year will result in a reduction in the adjusted cost base to the Fund of its Holding LP Class A Units by the amount of such excess. If, as a result, the adjusted cost base to the Fund of its Holding LP Class A Units at the end of a fiscal period of Holding LP would otherwise be a negative amount, the Fund would be deemed to realize a capital gain at Holding LP's fiscal period end equal to the absolute value of such negative amount, and the adjusted cost base to the Fund of its Holding LP Class A Units would then be increased to nil.

A distribution by the Fund of its property upon a redemption of Units will be treated as a disposition by the Fund of such property for proceeds of disposition equal to the fair market value thereof. The Fund will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of the property exceed (or are less than) the adjusted cost base of the relevant property and any reasonable costs of disposition.

In computing its income or loss for purposes of the Tax Act, the Fund may generally deduct reasonable administrative costs, interest and other expenses of a current nature that it incurs for the purpose of earning income. Generally, the Fund may also deduct, on a five-year straight-line basis (subject to pro-rata for short taxation years), reasonable expenses incurred by it in the course of issuing Units.

Generally, under the Declaration of Trust, unless the Trustees otherwise determine, an amount equal to all of the net income (including taxable capital gains) of the Fund for a taxation year (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gains realized by the Fund, but excluding capital gains arising in connection with a distribution *in specie* on the redemption of Units which are designated by the Fund to redeeming Unitholders will be payable in the year to Unitholders by way of cash distributions, subject to any available non-capital losses or net capital losses, the capital gains refund (as discussed below) and the following exception. Where such income of the Fund in a taxation year exceeds the total cash distributions for that year, such excess income may be distributed to Unitholders in the form of additional Units. Income of the Fund paid or payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Fund in computing its income.

Losses incurred by the Fund (including losses allocated to the Fund by Holding LP and capable of being deducted by the Fund) cannot be allocated to Unitholders, but may be carried forward and deducted by the Fund in computing its taxable income in future years in accordance with the detailed rules and limitations in the Tax Act.

The Fund will be entitled in each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the “**capital gains refund**”). In certain circumstances, the Fund’s capital gains refund in a particular taxation year may not completely offset its tax liability for that taxation year arising in connection with redemptions of Units.

The Declaration of Trust provides that all or a portion of any taxable capital gains realized by the Fund as a result of a redemption of Units may, at the discretion of the Trustees, be treated as income paid or payable to the redeeming Unitholder in the applicable year. However, pursuant to recent amendments to the Tax Act, the Fund generally will not be entitled to a deduction in computing its income in respect of amounts allocated to redeeming Unitholders in respect of such taxable capital gains to the extent that it is greater than the taxable capital gain that would otherwise have been realized by the redeeming Unitholder on the redemption (as determined by the Trustees using reasonable efforts to obtain the information required to determine the Unitholder’s cost amount). As a result, the taxable component of distributions by the Fund to non-redeeming Unitholders may be adversely affected. Counsel has been advised that the Fund intends, to the extent possible, to administer the redemption of Units in such a manner that no deduction by the Fund should be denied under this provision.

Counsel has been advised that the Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Fund will not be liable in the year for any tax under Part I of the Tax Act (after taking into account any entitlement to the capital gains refund and non-capital losses or net capital losses, if any, that may be carried forward from prior years).

Taxation of Holding LP

Subject to the SIFT Rules, the Holding LP is generally not subject to tax under the Tax Act. The income or loss of the Holding LP for a fiscal year will be allocated to its partners (including the Fund) on the basis of their respective shares of such income or loss as provided in the Holding LP Agreement, subject to the detailed rules in the Tax Act, including the “at-risk rules” described below.

For this purpose, the income or loss of the Holding LP will be computed for each fiscal year as if the Holding LP was a separate person resident in Canada. Holding LP’s income will include rent in respect of its properties, any taxable capital gains and recapture of capital cost allowance (“**CCA**”) arising on the disposition of capital property owned by the Holding LP, and any income allocated to it by partnerships of which it is a partner. In computing the income or loss of the Holding LP, reasonable deductions may generally be claimed in respect of available CCA, interest in respect of the Holding LP’s debts incurred for the purpose of earning income from a business or property, and administrative and other expenses incurred for the purpose of earning income from a business or property to the extent the outlays are not capital in nature. Deductibility of losses allocated to the Fund by the Holding LP may be restricted by the “at-risk rules”, as described below.

Counsel has been advised that in computing income for the purposes of the Tax Act, and except as the Trustees otherwise determine, Holding LP intends to claim the maximum discretionary deductions (including in respect of CCA) that are available to it under the Tax Act, except that Holding LP shall in no case claim any discretionary deductions to the extent that such claims would result in, or increase the amount of, the denial of any deductions for its partners pursuant to the at-risk rules.

At-risk rules

The Tax Act contains rules (the “**at-risk rules**”) which, in general, limit the amount of the losses (other than capital losses) of a limited partnership (such as the Holding LP) for a fiscal period that a limited partner of the partnership may deduct to an amount not greater than the partner’s “at-risk amount” in respect of the partnership at the end of the fiscal period. A limited partner’s at-risk amount in respect of a limited partnership at the end of the partnership’s fiscal period will generally be equal to the adjusted cost base to the partner of its interest in the partnership at the end of the fiscal period plus the partner’s share of any income of the partnership for the fiscal period (including, for this purpose, the whole amount of any net capital gains), less any amount owing by the partner (or by a person or partnership that does not deal at arm’s length with the partner for purposes of the Tax Act) to the partnership (or to a person or partnership not dealing at arm’s length with the partnership for purposes of the Tax Act), and less the amount of the partner’s investment in the partnership that may reasonably be regarded as protected against loss. The share of any loss of the partnership that is not deductible by a partner (other than a partner that is itself a partnership) as a result of the application of the “at-risk” rules is considered to be a “limited partnership loss” in respect of the partnership for that year.

A limited partnership loss of the Fund in respect of the Holding LP may generally be carried forward and deducted by the Fund in a subsequent taxation year against income for that year to the extent that the Fund's at-risk amount at the end of the Holding LP's last fiscal period ending in that year exceeds the Fund's share of any loss of the Holding LP for that fiscal period, subject to and in accordance with the provisions of the Tax Act.

Taxation of Holders

Fund Distributions

A Holder will generally be required to include in computing income for a particular taxation year that portion of the Fund's net income for a taxation year ending on or before the taxation year-end of the Holder, including net realized taxable capital gains, that the Fund pays or makes payable to the Holder in the taxation year of the Fund, whether the Holder receives such portion in cash, additional Units or otherwise. Distributions that are made through the issuance of additional Units may give rise to a taxable income inclusion for the Holder even though no cash has been distributed to such Holder.

Provided that the Fund makes appropriate designations under the Tax Act, the portion of its net taxable capital gains, if any, in a taxation year which is paid or payable, or deemed to be paid or payable, to a Holder will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act. See the discussion under "Taxation of Capital Gains and Capital Losses" below.

The non-taxable portion of the Fund's net realized capital gains that are paid or payable to a Holder in a taxation year will not be included in computing the Holder's income for the year and, where the taxable portion has been designated to the Holder, will not reduce the adjusted cost base of Units held by the Holder. Any other amount in excess of the net income and net taxable capital gains of the Fund that is paid or payable, or deemed to be paid or payable, by the Fund to a Holder in that year will generally not be included in the Holder's income for the taxation year. However, where such an amount is paid or payable to a Holder (other than as proceeds of disposition or deemed disposition of Units or any part thereof), the Holder will generally be required to reduce the adjusted cost base of the Holder's Units by that amount. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the absolute value of such negative amount will be deemed to be a capital gain realized by the Holder and the adjusted cost base of the Unit to the Holder will immediately thereafter be increased to nil. See the discussion under "Taxation of Capital Gains and Capital Losses" below.

Disposition of Units

In general, a disposition or deemed disposition of a Unit will give rise to a capital gain (or a capital loss) equal to the amount by which the Holder's proceeds of disposition of the Unit exceed (or are exceeded by) the aggregate of the adjusted cost base of the Unit to the Holder and any reasonable costs of disposition. The Holder's proceeds of disposition will not include an amount payable by the Fund that the Holder is otherwise required to include in income, including any capital gain realized by the Fund in connection with a redemption which the Fund has allocated to the redeeming Holder. See the discussion under "Taxation of Capital Gains and Capital Losses" below.

The adjusted cost base of a Unit to a Holder will include all amounts paid by the Holder for the Unit, subject to certain adjustments. The cost to a Holder of additional Units received in lieu of a cash distribution of income (including net capital gains) will generally be equal to the amount of the distribution. For the purpose of determining the adjusted cost base to a Holder, when a Unit is acquired as capital property, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units of the same class owned by the Holder as capital property immediately before the acquisition.

Where the Fund redeems Units by distributing notes or other property of the Fund to a Holder, the Holder will also be required to include in income any taxable capital gains that the Fund realizes on or in connection with such *in specie* distribution of property and designates to such Holder. The proceeds of disposition to the redeeming Holder will be equal to the fair market value of the notes or other property of the Fund so distributed less any income or capital gain realized by the Fund in connection with such redemption. The cost of any property distributed *in specie* by the Fund to a Holder on a redemption of Units will be equal to the fair market value of that property at the time of distribution. The Holder will thereafter be required to include in income interest or other income derived from the property in accordance with the provisions of the Tax Act.

The consolidation of Units of the Fund will not result in a disposition of Units by Holders. The aggregate adjusted cost base to a Holder of all of the Holder's Units will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Taxation of Capital Gains and Capital Losses

A Holder must include in income for a taxation year one-half of any capital gain (a “**taxable capital gain**”) realized by the Holder on a disposition or deemed disposition of a Unit in the year, and the amount of any net taxable capital gains designated by the Fund to the Holder in the year. The Holder generally must deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized by the Holder in a taxation year against the Holder’s taxable capital gains for the year. Allowable capital losses in excess of taxable capital gains realized by a Holder in a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains, subject to the detailed provisions of the Tax Act.

A Holder that is, throughout its taxation year, a “Canadian-controlled private corporation” (as defined in the Tax Act) may be subject to pay a refundable tax on its “aggregate investment income” (as defined in the Tax Act), including amounts in respect of taxable capital gains.

Alternative Minimum Tax

In general terms, in the case of a Holder that is an individual or trust (other than certain specified types of trusts), the Holder’s liability for alternative minimum tax may be increased if the Fund designates a portion of its income that it pays or makes payable to the Holder as net taxable capital gains, or if the Holder realizes a capital gain on the disposition or deemed disposition of Units.

19. RISK FACTORS

The purchase of Units hereunder involves a number of risks. The risks described below are not the only risks involved with an investment in the Units. If any of the following risks occur, or if others occur, the Fund’s business, operating results and financial condition could be seriously harmed and Purchasers may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on the Units. There is no assurance that the Fund will be able to achieve any of its investment objectives. In addition to the risk factors set forth elsewhere in this Prospectus, prospective Purchasers should consider the following risks associated with a purchase of Units:

Risk Factors Relating to the Offering

This is Partly a Blind Pool Offering

After completion of the acquisition of the Initial Portfolio, although the Fund expects that the unallocated Investable Funds will be applied to the purchase of one or more additional Properties, the Manager has not yet advanced the process for potentially acquiring any such additional Properties to a point where any such acquisition by the Fund would be considered as being “probable” as that term is understood for purposes of Form 41-101F1, although the Manager is targeting deployment of the unallocated Net Subscription Proceeds within six months, at which time this will no longer be a blind pool.

The Unitholders’ return on their investments in the Units will vary depending on the return on investment achieved on the Properties, including the Initial Portfolio, acquired with the Investable Funds. Accordingly, if the net proceeds of the Offering and any concurrent private placements exceed the amount required to purchase the Initial Portfolio, until such time as the excess funds are deployed by the Fund to directly or indirectly acquire interests in income-producing Properties, the annualized pre-tax distribution yield per Unit may be less than the targeted yield per Unit.

Limited Liquidity of Units

There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the Units in the secondary market, if one should develop, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. As at the date of this Prospectus, the Fund does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, NEO Exchange Inc., any other Canadian marketplace, a U.S. marketplace, or a marketplace outside Canada and the U.S. Although the targeted Term of the Fund is three years, the Term may also be extended (including following the exercise of the two one-year extensions at the discretion of the Board) by Special Resolution of the Unitholders. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long-term investment.

Insufficient Gross Proceeds of the Offering

There can be no assurance the Maximum Offering will be sold. If less than all of the Units offered are sold pursuant to this Offering and any concurrent private placements, then less than the maximum proceeds will be available to the Fund. Consequently, the Fund may be unable to implement its plans in the manner currently intended.

Appraisals

The Fund retained the Appraiser to provide independent estimates of the fair market value range in respect of the Initial Properties (see “Description of the Activities of the Fund – The Initial Portfolio – Independent Appraisals of the Initial Portfolio”). Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals such as the Appraisals represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the Initial Portfolio are correct as of the date of the Prospectus or that such valuations actually reflect an amount that would be realized upon a current or future sale of any of the Properties or that any projections included in the Appraisals will be attainable. In addition, the Appraisals in respect of the Nanaimo Property and the Langford Property each have an effective date of December 1, 2021 and the Appraisals in respect of the Langford Property 2, the Vernon Property and the Vernon Property 2 each have an effective date of December 31, 2021. As prices in the real estate market fluctuate over time in response to numerous factors, the fair market value of the Initial Portfolio shown on the Appraisals may be an unreliable indication of their current market value. For example, the impact of COVID-19 has created near-term instability in the capital and real estate markets. It is currently unknown what direct, or indirect effect, if any, this event may have on the Canadian national economy, the local western Canadian economy, and the market in which the subject properties are located. As such, the associated risk may not yet be priced into the real estate market. Readers of the Appraisals should note the data and comparables used in the Appraisals are data points that occurred in the past and there is projection risk associated with using lagging indicators, and the opinions in the Appraisals are as of a specific point in time and may change in the near term, and the opinions in the Appraisals are as of a specific point in time and may change in the near term.

Risk Factors Relating to the Fund

An investment in Units is an investment in multi-family real estate located in the Primary Markets through the Fund’s indirect interest in its Subsidiaries and the Properties, directly or indirectly, acquired by it. Investment in real estate is subject to numerous risks, including the factors listed below and other events and risk factors which are beyond the control of the Fund.

Acquisition Risk

The Manager intends to recommend Properties for acquisition by the Fund or its Subsidiaries selectively. The acquisition of Properties entails risks that investments will fail to perform in accordance with expectations, including the risks that the Properties will not achieve anticipated occupancy levels and that expected rental increases, ancillary revenue opportunities and cost reductions may prove inaccurate.

In undertaking such acquisitions, the Fund or its Subsidiaries will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of the Manager’s time to transactions that may not come to fruition. The operation of the Properties may not generate sufficient funds to make the payments of principal and interest due on any Mortgage Loans or second mortgage and, upon default, one or more lenders could exercise their rights including foreclosure or the sale of the Properties.

General Real Estate Ownership Risks

All real property investments are subject to a degree of risk and uncertainty including general economic conditions, local real estate markets, and various other factors. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. The Properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant suites in the Properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the Properties becomes vacant and cannot be re-leased on economically favourable terms, the Properties may not generate revenues sufficient to meet Operating Expenses, including debt service, and Distributable Cash will be adversely affected.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a Property is producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Fund were to be required to quickly liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of the Properties or less than what could be expected to be realized under normal circumstances. The Fund may, in the future, be exposed to a general decline of demand by tenants for suites in properties.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Fund due to internal and external limitations on its ability to charge these new market-based rents in the short-term.

Catastrophic Events, Natural Disasters, Severe Weather and Disease

The Fund's business may be negatively impacted to varying degrees by a number of events which are beyond its control, including tornadoes, earthquakes, fires, floods, ice storms, cyber-attacks, unauthorized access, energy blackouts, pandemics, outbreaks of infectious disease, such as COVID-19, other public health crises affecting the markets where the Fund operates, terrorist attacks, acts of war, or other natural or manmade catastrophes. While the Fund engages in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly, and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe that the Fund's operations and ability to carry on business will not be disrupted. The occurrence of such events may not release the Fund from performing its obligations to third parties. A catastrophic event, or fear associated therewith, could increase investment costs to repair or replace damaged properties, increase future property insurance costs and negatively impact tenant demand, which could have a negative impact on the Fund's ability to conduct its business and increase its costs. In addition, liquidity and volatility, credit and insurance availability and market and financial conditions generally could change at any time as a result. While the Fund will seek to maintain insurance for loss of revenue resulting from the occurrence of certain natural disasters, insurance for certain natural disasters may not be available, and any of these events in isolation or in combination, could have a material negative impact on the Fund's financial condition and results of operations, decrease the amount of cash available for distribution to Unitholders.

The Fund may be exposed to the impact of events caused by climate change, including an increase in the frequency and severity of the natural disasters and serious weather conditions outlined above. Furthermore, as a real estate property owner and manager, the Fund faces the risk that its properties will be subject to government initiatives and reforms aimed at countering climate change, such as reduction in greenhouse gas emissions. The Fund may require operational changes and/or incur financial costs to comply with any such reforms. Any failure to adhere and adapt to climate change could result in fines or adversely affect the Fund's reputation, operations or financial performance.

COVID-19 and Variants Thereof

Public health crises, including the ongoing health crisis related to the coronavirus (COVID-19) pandemic, or relating to any other virus, flu, epidemic, pandemic or any other similar disease or illness (each a "Health Crisis") could materially adversely impact the Fund's and its tenants' businesses, and thereby the ability of tenants to meet their payment obligations, by disrupting supply chains and transactional activities and negatively impacting local, national or global economies. A Health Crisis could further result in a general or acute decline in economic activity in the regions in which the Fund holds assets, increased unemployment, staff shortages, reduced tenant traffic, mobility restrictions and other quarantine measures, supply shortages, increased government regulation, and the quarantine or contamination of one or more of the Properties. Contagion in a property or market in which the Fund operates could negatively impact its occupancy, reputation or attractiveness. All of these occurrences may have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Furthermore, increased government regulation relating to a Health Crisis could result in legislation or regulations that may restrict the Fund's ability to enforce material provisions under its leases, including in respect of the collection of rent or other payment obligations or the ability of the Fund to raise rent or the ability of the Fund to evict tenants for non-payment of rent, among other potential adverse impacts, that could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

The federal government's Canada Emergency Response Benefit previously provided temporary income support to workers who have stopped working related to COVID-19. However, it is not clear how long elevated unemployment rates may last, or the extent of all the government programs that might be put in place in the future and how these programs may change over time, or what their full impact might be. As a result, the impact on the Fund's cash flow from operating activities remains uncertain. In addition, the Fund's investment properties are measured at fair value based on assumptions influenced by market conditions. Given the uncertainty of the longer-term impact of the COVID-19 pandemic and how it will impact valuation assumptions, measurement uncertainty exists with respect to the Fund's investment properties.

Given the unpredictable nature of the ongoing COVID-19 pandemic, including the currently prevalent Omicron variant and the potential emergence of other variants of the virus in the future, any continuation or intensification of such pandemic or related government measures, and any changes in levels of government financial support to individuals affected by COVID-19 and economic downturn, could in the future have an adverse effect (which effect could be material) on the Fund's financial condition, results of operations and cash flows due to the following factors, or others:

- Weaknesses in national, regional or local economies may prevent residents and customers from paying rent in full or on a timely basis. Federal, provincial, local, and industry efforts, including eviction moratoriums and requirements to reduce or waive late fees, may affect the Fund's ability to collect rent or enforce remedies for the failure to pay rent, which could lead to an increase in its recognition of credit losses related to the Fund's rent receivables. In addition, a reduction in the ability or willingness of prospective customers to visit the Initial Portfolio could impact the Fund's ability to lease units and may result in lower rental revenue and ancillary operating revenue produced by the Initial Portfolio.
- A reduction in tenant demand for suites due to a general decline in business activity or otherwise could adversely affect the value of the Initial Portfolio and the Properties. This could lead to an impairment of the Fund's real estate investments.
- A general decline in business activity or demand for real estate transactions could adversely affect the Fund's ability or desire to acquire additional Properties with the remaining Net Subscription Proceeds or deploy such Net Subscription Proceeds in a timely fashion.
- The financial impact of COVID 19 could negatively impact the Fund's ability to comply with financial covenants in its credit arrangements and result in a default and potentially an acceleration of indebtedness. Such non compliance could negatively impact the Fund's financial position and its ability to make additional borrowings under its credit facilities.
- A severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect the Fund's ability to access capital necessary to fund business operations, including the acquisition or expansion of Properties, or replace or renew maturing liabilities on a timely basis, on attractive terms, or at all, and may adversely affect the valuation of financial assets and liabilities.
- The spread of COVID-19 has the potential to cause a further economic slowdown and increased volatility in financial markets. However, uncertainty remains as to the overall impact and timing of government interventions.
- An outbreak of COVID-19 or other contagious illness in a Property or the market in which a Property operates could negatively impact its occupancy, reputation or attractiveness.
- COVID-19 could negatively affect the health, availability and productivity of the Manager's personnel. It could also affect the Fund's ability to recruit and attract new employees or retain current employees. An outbreak that directly affects, or threatens to directly affect, any of the Properties could also deter or prevent the Fund's property managers' on-site personnel from reporting to work.
- Governmental agencies that permit and approve the Fund's suppliers and other business partners and third parties may be prevented from conducting business activities in the ordinary course for an indefinite period of time, which could in turn negatively affect the Fund's business.
- Delays in administering vaccinations against COVID-19, vaccine hesitancy or shortages in vaccine supply chains could prolong COVID-19, which could in turn negatively affect the Fund's business.

The recent resurgence of the COVID-19 virus and the recent spread of new variants thereof and the possibility that a resurgence of the COVID-19 virus or the spread of such new or other variants or mutations thereof may occur, has resulted in the re-imposition of certain restrictions, and may result in further restrictions, by governmental authorities in certain jurisdictions, including Western Canada. This further increases the risk and uncertainty as to the extent and duration of the COVID-19 pandemic and its ultimate impact on the global economy.

Other risks, including those described elsewhere in this Prospectus related to changes to Applicable Laws and regulations, economic downturn in the Primary Markets, debt financing, financing renewal, access to capital and the Fund's reliance on information technology infrastructure, and the effects of these risks on the Fund's financial condition, results of operations, cash flows, ability to make cash distributions and operations, could be exacerbated by the effects of COVID-19 and government measures to control it, any intensification of such pandemic or measures, or any other outbreak of contagious disease.

The extent to which COVID-19 impacts the Fund's operations, financial condition and financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Such future developments include the severity and duration of the pandemic, any intensification of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, among others. The rapid development and fluidity of this situation impedes the Manager's ability to predict the ultimate adverse impact of COVID-19. COVID-19 and the current financial and economic environment, and future developments in these and other areas, present material uncertainty and risk with respect to the Fund's performance, financial condition, results of operations and cash flows.

Co-investment/Joint Ventures

The Fund may, on advice of the Manager, invest in, or be a participant in, directly or indirectly, joint ventures and partnerships with third parties in respect of the Properties. A joint venture or partnership involves certain additional risks, including:

- (i) the possibility that such co-venturers/partners may at any time have economic or business interests or goals that will be inconsistent with the Fund's or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives with respect to the Properties;
- (ii) the risk that such co-venturers/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such Properties or repay the co-venturers'/partners' share of property debt guaranteed by the Fund or its Subsidiaries or for which the Fund or its Subsidiaries will be liable and/or result in the Fund suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions;
- (iii) the risk that such co-venturers/partners may, through their activities on behalf of or in the name of the ventures or partnerships, expose or subject the Fund or its Subsidiaries to liability; and
- (iv) the need to obtain co-venturers'/partners' consents with respect to certain major decisions or inability to have any decision-making authority, including the decision to distribute cash generated from such properties or to refinance or sell a property.

In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the Fund's ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis the Manager desires. Additionally, drag-along rights may be triggered at a time when the Manager may not advise the Fund to sell its interest in a Property, but the Fund may be forced to do so at a time when it would not otherwise be in its best interest.

Substitutions for Multi-Family Rental Suites

Demand for rental suites in the Properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. In light of measures taken in response to COVID-19, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial

institutions for home ownership financing remain low or fail to significantly rise, demand for rental suites may be adversely affected. A reduction in the demand for rental suites may have an adverse effect on the Fund's ability to lease suites in the Properties and on the rents charged.

Government Regulation

The Province of BC has enacted residential tenancy legislation which may impose, among other things, rent control guidelines that limit the Fund's ability to raise rental rates at the Properties. Limits on the Fund's ability to raise rental rates at the Properties may adversely affect the Fund's ability to increase income from the Properties.

In addition to limiting the Fund's ability to raise rental rates, residential tenancy legislation in the Primary Markets may provide certain rights to tenants, while imposing obligations upon landlords. Residential tenancy legislation may also prescribe procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective judicial or administrative body governing residential tenancies as appointed under a province's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Further, residential tenancy legislation may provide tenants with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Fund may, in the future, incur capital expenditures which may not be fully recoverable from tenants.

Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Fund to maintain the historical level of earnings of the Properties. See "Description of the Activities of the Fund – The Initial Portfolio – Residential Tenancy Legislation".

Changes in Applicable Laws

The Fund's operations must comply with numerous federal, provincial and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord tenant laws and other laws generally applicable to business operations. Non-compliance with laws could expose the Fund to liability. Lower revenue growth or significant unanticipated expenditures may result from the Fund's need to comply with changes in Applicable Laws, including (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions, or (ii) other governmental rules and regulations or enforcement policies affecting the use and operation of the Properties, including changes to building codes and fire and life-safety codes.

Financing Risks

There is no assurance that the Manager will be able to obtain sufficient Mortgage Loans to finance the acquisition of Properties, or, if available, that the Manager will be able to obtain Mortgage Loans on commercially acceptable terms. Further, there is no assurance or guarantee that the Mortgage Loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of Properties which the Fund is able to purchase will decrease and the return from the ownership of Properties (and ultimately the return on an investment in Units) will be reduced.

The Fund is subject to the risks associated with debt financing, including the risk that the existing Mortgage Loans secured by the Properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. In order to minimize this risk, the Fund will attempt to appropriately structure the timing of the renewal of significant tenant leases on the Properties in relation to the time at which Mortgage Loans on such Properties becomes due for refinancing.

Interest Rate Fluctuations

Mortgage Loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Fund's cost of borrowing.

Potential Undisclosed Liabilities Associated with Acquisitions

The Fund expects to acquire Properties that may be subject to existing liabilities, some of which may be unknown at the time of the acquisition or which the Fund may fail to uncover in its due diligence. Unknown liabilities might include liabilities for claims by tenants, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or threatened to date), tax liabilities, accrued but unpaid liabilities incurred in the ordinary course of business and cleanup and remediation of undisclosed environmental conditions. While in some instances the Fund may, indirectly have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, the Fund may not have recourse to the vendor of the Properties for any of these liabilities.

Limited Recourse Against Property Vendors

Purchasers under this Prospectus will not have a direct statutory right or any other rights against the vendors of the Properties comprising the Initial Portfolio, or their securityholders. The sole remedy of the Fund against Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd., Galaxy Value Add Properties LP, in respect of the Nanaimo Property and the Langford Property, and the Langford Property 2 and Vernon Properties Vendors, in respect of the Langford Property 2, Vernon Property and Vernon Property 2, and any of their respective securityholders will be through the Fund or its Subsidiaries (as assignee of Starlight Acquisitions Ltd.) bringing an action against Galaxy VA Linley Valley & Uplands Apartments Ltd., Galaxy VA 733 Goldstream Apartments Ltd., Galaxy Value Add Properties LP, or the Langford Property 2 and Vernon Properties Vendors, as applicable for any breach under the Nanaimo and Langford Properties Purchase Agreement or the Langford Property 2 and Vernon Properties Purchase Agreement, as applicable. In addition, the vendors have not made any representation to the Fund and are not making any representation to investors in the Offering, as to the disclosure in this Prospectus constituting full, true and plain disclosure of all material facts related to the Properties, or that this Prospectus does not contain a misrepresentation with respect to such Properties. Accordingly, the vendors will not have any liability to investors in the Offering if the Prospectus disclosure relating to the Properties does not meet such standard or contains a misrepresentation.

The vendors have not provided any security for their respective obligations under the Nanaimo and Langford Properties Purchase Agreement or the Langford Property 2 and Vernon Properties Purchase Agreement, as applicable, and are not required to maintain any cash for this purpose. The Fund may also be subject to undisclosed liability and such liability may be material, which could negatively impact the Fund's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Environmental Matters

The Fund is subject to various other requirements (including federal, provincial and municipal laws, as applicable) relating to environmental matters. Such requirements provide that the Fund could be, or become, liable for environmental or other harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its Properties, including lead-based paint, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Such requirements often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials. Additional liability may be incurred by the Fund with respect to the release of such substances from the Properties to properties owned by third parties, including properties adjacent to the Properties or with respect to the exposure of persons to regulated substances.

The failure to remove or otherwise address such substances may materially adversely affect the Fund's ability to sell such Property, maximize the value of such Property or borrow using such Property as collateral security, and could potentially result in claims or other proceedings against the Fund. It is the Fund's operating policy to obtain or be entitled to rely on an environmental site assessment prior to acquiring a Property. Where an environmental site assessment warrants further investigation, it is the Fund's operating policy to conduct further environmental assessments. Although such environmental assessments provide the Fund with some level of assurance about the condition of the Properties, the Fund may become subject to liability for undetected contamination or other environmental conditions of its Properties against which it cannot have insurance, or against which the Fund may elect not to have insurance where insurance premium costs are considered to be disproportionate to the assessed risk, which could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Environmental laws and other requirements can change and the Fund may become subject to more stringent environmental laws and other requirements in the future. Compliance with more stringent environmental requirements, the identification of currently unknown environmental

issues or an increase in the costs required to address a currently known condition may have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units.

Uninsured Losses

The Fund or its Subsidiaries will arrange for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those to be owned by the Fund or its Subsidiaries and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the Properties, the Fund could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such Properties.

Risk Related to Insurance Renewals

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the Fund's or its Subsidiaries' current insurance policies expire, the Fund or its Subsidiaries may encounter difficulty in obtaining or renewing property or casualty insurance on its Properties at the same levels of coverage and under similar terms. Even if the Fund is able to renew its policies at levels and with limitations consistent with its current policies, the Fund cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the Fund or its Subsidiaries are unable to obtain adequate insurance on their properties for certain risks, it could cause the Fund or its Subsidiaries to be in default under specific covenants on certain of their respective indebtedness or other contractual commitments that they have which require the Fund or its Subsidiaries to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if the Fund or its Subsidiaries were unable to obtain adequate insurance, and their properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations.

Reliance on Third Party Property Management

The Manager will rely upon independent management companies to perform property management functions in respect of each of the Properties. To the extent the Manager relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the Properties as in their judgment is reasonably required and may have conflicts of interest in allocating management's time, services and functions among the Properties and their other development, investment and/or management activities.

Competition for Real Property Investments or Tenants

The Manager will compete for suitable real property investments with individuals, corporations, real estate investment trusts and similar vehicles and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future real property investments or tenants similar to those sought by the Manager. Such competition could have an impact on the Fund's ability to lease suites in the Properties and on the rents charged. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

Holding Entity Structure

As a holding entity, the Fund's ability to meet its obligations, including payment of interest, other Operating Expenses and distributions, and to complete current or desirable future enhancement opportunities or acquisitions generally depends on the receipt by the Fund of dividends, distributions and/or interest payments from its Subsidiaries as the principal source of cash flow to pay such expenses and to pay distributions on the Units. As a result, the Fund's cash flows and ability to pay distributions, including on the Units, are dependent upon the earnings of its Subsidiaries and the distribution of those earnings and other funds by its Subsidiaries to it. The payment of interest, dividends and/or distributions by certain of the Fund's Subsidiaries may be subject to restrictions set out in relevant tax or corporate laws and regulations, constating documents or other governing provisions, which may require that certain Subsidiaries remain solvent following payment of any such interest, dividends and/or distributions. Substantially all of the Fund's business is currently conducted through its Subsidiaries, and the Fund expects this to continue.

Revenue Shortfalls

Revenues from the Properties may not increase sufficiently to meet increases in Operating Expenses or debt service payments under any Mortgage Loans or to fund changes in the variable rates of interest charged in respect of such loans, if any.

Fluctuations in Capitalization Rates

As interest rates fluctuate in the lending market, generally Capitalization Rates will as well, which affects the underlying value of real estate. As such, when interest rates rise, generally Capitalization Rates may rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these Capitalization Rates.

Acquisition of Initial Portfolio

The Closing Date of the Offering will not proceed unless all preconditions to the closing of the acquisition of the Properties comprising the Initial Portfolio have been satisfied or waived.

Reliance on the Manager

Prospective investors assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager, its principal, Daniel Drimmer, and certain of its executives. In particular, prospective investors will have to rely on the discretion and ability of the Manager in determining the composition of the portfolio of Properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition and Disposition of Properties. The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Glen Hirsh, Martin Liddell and/or David Hanick. If the Manager loses the services of Daniel Drimmer, Glen Hirsh, Martin Liddell and/or David Hanick, the business, financial condition and results of operations of the Fund may be materially adversely affected. See "Trustees and Officers" and "The Manager and the Management Agreement".

Distributions may be Reduced or Suspended

Although the Fund intends to distribute its available cash to Unitholders, such cash distributions may be reduced or suspended. The ability of the Fund to pay Unitholders a targeted annual pre-tax distribution yield of 3.0% to 4.0% on Gross Subscription Proceeds across all Unit classes and the actual amount distributed or paid to Unitholders on termination of the Fund will vary as between the classes of Units based on the proportionate entitlements of each class (or series, as applicable) of Unit, applicable Unit Class Expenses and other adjustments as described herein (see "Description of the Securities Distributed – Units"), and will depend on the ability of the Fund to fully deploy the net proceeds of the Offering and any concurrent private placements to directly or indirectly acquire the Properties and manage the ongoing operations of the Properties. The Minimum Return is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. As a result, the cash distributions payable to Unitholders may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and their recovery by an investor is at risk and the anticipated return on investment is based upon many performance assumptions. It is important for Purchasers to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the distributions to Unitholders.

Payment of the Minimum Return and the Carried Interest and Catch-Up

The amounts calculated as being distributable to Unitholders for purposes of determining the Carried Interest are not the same as the amounts that will be distributed to Unitholders pursuant to the Declaration of Trust. It is possible that the persons entitled to the Carried Interest will receive amounts even if one or more classes of Units have not received the Minimum Return. See "Description of the Securities Distributed – The Holding LP – Distributions".

Fixed Costs and Increased Expenses

The failure to maintain stable or increasing average rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property

regardless of whether a property is producing any income. If the Fund is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale. The Fund is also subject to utility and property tax risk relating to increased costs that the Fund may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of re-valuations of properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Fund cannot charge back to the tenant may have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Distributions may be reduced, or even eliminated, at times when the Fund deems it necessary to make significant capital or other expenditures.

Trust Unitholder Liability

Recourse for any liability of the Fund is intended to be limited to the assets of the Fund. The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Fund or of the Trustees.

The Trustees intend to cause the Fund's operations to be conducted in such a way as to minimize any such risk, including by obtaining appropriate insurance and, where feasible, attempting to have material written contracts or commitments of the Fund contain an express disavowal of liability against the Unitholders.

In conducting its affairs, the Fund owns and will be acquiring real property investments, subject to existing contractual obligations, including obligations under mortgages and leases. The Trustees will use all reasonable efforts to have any such obligations under mortgages on the Properties and other acquired properties, and material contracts, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, the Fund may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by the Fund, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of the Fund where the liability is not disavowed as described above.

Historical Financial Information and Pro Forma Financial Information

The historical financial information relating to the Initial Portfolio included in this Prospectus has been derived from historical accounting records. The Manager believes that the assumptions underlying the financial statements are reasonable. However, the financial statements may not reflect what the Fund's financial position, results of operations or cash flows would have been had the Fund been a standalone entity during the historical periods presented or what the Fund's financial position, results of operations or cash flows will be in the future. The Fund has not made adjustments to its historical financial information to reflect changes that may occur in its cost structure, financing and operations as a result of its acquisition of the Initial Portfolio. In preparing the *pro forma* financial information in this Prospectus, the Fund has given effect to, among other items, the Offering. The estimates used in the *pro forma* financial information may not be similar to the Fund's actual experience as a stand-alone public entity.

Non-IFRS Measures

The *pro forma* financial information set out in this Prospectus includes certain measures which do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. There are no directly comparable measures calculated in accordance with GAAP, as such measures are based on investments that are external to the Fund. The measures used are meaningful to the investors as they are based on the average investor's individual investment in the entities mentioned.

Reliance on Assumptions

The Fund's investment objectives and strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in Western Canada and the future status of the western Canadian multi-family real estate markets generally. Such analysis may be incorrect and such expectations may not be realized, in which case Unitholders can expect the annualized pre-tax distribution yield per Unit to be less than 3.0% to 4.0% on Gross Subscription Proceeds across all Unit classes and the pre-tax investor internal rate of return to be less than 12% across all Unit classes.

Timing for Investment of Net Subscription Proceeds

Although the Manager is targeting deployment of the unallocated Net Subscription Proceeds within nine months following the Closing Date, the time period for the full investment of the net proceeds of the Offering and any concurrent private placements in Properties other than the Initial Portfolio is not certain and may exceed six months. The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition. There is a risk that the Manager may not invest all net proceeds of the Offering and any concurrent private placements in Properties in a timely manner and, therefore, may not be able to generate sufficient funds to pay the Minimum Return, in which case, Unitholders can expect the annualized pre-tax distribution yield across all Unit classes to be less than 3.0% to 4.0% on Gross Subscription Proceeds across all Unit classes.

Acquisition of Future Properties from Related Parties

It is the Fund's intent to acquire one or more additional Properties within six months following the Closing Date. The vendors of such Properties may be Affiliates of Starlight Group (see also "– Potential Conflict of Interest"). The Fund does not have any arrangements with Starlight Group or its Affiliates (e.g., a strategic alliance agreement or right of first opportunity) that would govern any such transaction. Accordingly, there is no assurance that any acquisition opportunities will be presented to the Fund by Starlight Group or its Affiliates or that such opportunities presented will be opportunities the Fund is able to secure or do so on terms favourable to the Fund.

In addition, if the Fund or the Holding LP acquires Properties from a person that does not deal at arm's length with the Fund or the Holding LP for purposes of the Tax Act, the Fund's ability to claim CCA in respect of such Properties may be subject to limitations in the Tax Act that would not apply to an acquisition from an arm's length party.

Potential Conflict of Interest

The Fund may be subject to various conflicts of interest because certain affiliates, and their respective directors, officers and associates, as well as the Trustees, the executive officers and the Manager, are engaged in a wide range of real estate and other business activities.

The Trustees may, from time to time, in their individual capacities, deal with parties with whom the Fund may be dealing. The interests of these persons could conflict with those of the Fund. The Declaration of Trust contains conflict of interest provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. There can be no assurance that the provisions of the Declaration of Trust will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the Fund. See "The Manager and the Management – Potential Conflicts of Interest (Trustees and Officers)".

Starlight Group, its affiliates, and their respective directors, officers and associates may, from time to time, deal with the Fund or with parties with whom the Fund may be dealing, including in respect of the indirect purchase by the Fund of a 100% interest in the Langford Property and the Nanaimo Property, respectively, from an entity managed and partially owned by an Affiliate of Starlight Group. The Management Agreement contains conflict of interest provisions requiring the Manager to deal in good faith and in a fair, equitable and even handed manner in respect of any conflict of interest that may exist between the interests of the Fund and the interests of the Manager or any of its affiliates, including Starlight Group and its affiliates. There can be no assurance that the provisions of the Management Agreement will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the Fund.

Same Management Group for Various Entities

The services of the Manager as manager of the Fund are not exclusive to the Fund. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management or administration of other investment portfolios and realty trusts in similar asset classes to those in which the Fund invests, including Starlight Western Multi-Family LP. Accordingly, the Manager may face conflicts of interest in the day-to-day operations, selection of real estate investments, and allocation of investment opportunities. In such circumstances, there is a risk that conflicts may arise regarding the allocation of properties among the various entities managed by the Manager and in connection with the exit from those properties. While the Manager owes fiduciary, legal and financial duties to the Fund and its Unitholders, these duties may from time-to-time conflict with the duties owed to the Manager's other real estate joint ventures and funds, including Starlight Western Multi-Family LP.

Degree of Leverage

The Fund's degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect the Fund's ability to obtain additional financing in the future for working capital, acquisitions or other general fund purposes, making the Fund more vulnerable to a downturn in business or the economy in general. Under the Declaration of Trust, total indebtedness of the Fund can be no more than 75% of the Investable Funds provided that, if approved by the Board, the appraised value of the Properties may be used instead of Investable Funds for the purposes of this determination.

Litigation at the Property Level

The acquisition, ownership and disposition of real property carries certain specific litigation risks. Litigation may be commenced with respect to a property acquired by the Fund or its Subsidiaries in relation to activities that took place prior to the Fund's acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or damages for misrepresentation relating to disclosures made, if such buyer is passed over in favour of another as part of the Fund's efforts to maximize sale proceeds. Similarly, successful buyers may later sue the Fund under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

General Litigation Risks

In the normal course of the Fund's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relation to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Fund and as a result, could have a material adverse effect of the Fund's assets, liabilities, business, financial condition and results of operations. Even if the Fund prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Fund's business operations, which could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

Asset Class Diversification

The Fund will make a relatively limited number of real estate investments and the Fund's investments will not be widely diversified by asset class. All of the Fund's investments will be in multi-family real estate properties. A lack of asset class diversification increases risk because multi-family real estate is subject to its own set of risks, such as adverse housing pattern changes and uses, increased real estate taxes, vacancies, rent controls, rising operating costs and changes in financing rates.

Geographic Concentration of the Fund's Portfolio

The Initial Portfolio is geographically concentrated in the Primary Markets, and the Fund's portfolio as a whole may be concentrated in only the Primary Markets. As such, the Fund is susceptible to local economic conditions, other regulations, the supply of and demand for multi-family real estate properties, and natural disasters in these areas. If there is a downturn in the local economies, an oversupply of or decrease in demand for multi-family real estate properties in these markets or natural disasters in these geographical areas, the Fund's business could be materially adversely affected to a greater extent than if it owned a more geographically diversified real estate portfolio. An important part of the Fund's business plan is based on the belief that property values for multi-family real estate properties in the markets in which it operates will continue to improve over the next several years. However, the markets in which the Fund operates could experience economic downturns in the future. There can be no assurance as to the extent property values in these markets will improve, if at all. If these markets experience economic downturn in the future, the value of the Properties could decline and its ability to execute its business plan may be adversely affected, which could adversely affect the Fund's financial condition and operating results.

Prior Fund Performance May Not be Indicative of Future Performance

The information about the performance of other investment funds managed by the Manager or its affiliates presented herein, is not, and should not be construed to be, an indication about the potential performance of the Units or amounts which may be distributed by the Fund. This information is presented solely for illustrative purposes and should not be construed as a

forecast or projection of the expected return of the Fund. This information is provided only to illustrate the experience and historical results achieved by funds managed by the Manager. Past performance is not indicative of future results.

Unitholders' Legal Rights

The Units represent a fractional interest in the Fund. Corporate law does not govern the Fund and the rights of Unitholders. Unitholders will not have all of the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative actions”. The rights of Unitholders are specifically set forth in the Declaration of Trust. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation. See “Description of the Securities Distributed – Units – Rights of Unitholders”.

Risk Factors Relating to Redemptions

Use of Available Cash

The payment in cash by the Fund of the redemption price of Units will reduce the amount of cash available to the Fund for the payment of distributions to Unitholders, as the payment of the amount due in respect of redemptions will take priority over the payment of cash distributions.

Payment of Redemption Price in Kind

In the event that the total amount payable by the Fund in respect of the redemption of Units for a particular calendar quarter exceeds \$100,000 and/or the total amount payable by the Fund in respect of the redemption of Units in any 12-month period ending at the end of that calendar quarter exceeds 1% of the Net Asset Value at the start of such 12-month period, the redemption price of Units may be paid and satisfied by way of an *in specie* distribution of property of the Fund, and/or unsecured subordinated notes of the Fund, as determined by the Trustees in their discretion, to the redeeming Unitholder. Such property is not expected to be liquid and may not be a qualified investment for trusts governed by Plans. Adverse tax consequences generally may apply to a Unitholder, or Plan and/or the annuitant, holder, subscriber or beneficiary thereunder or thereof, as a result of the redemption of Units held in a trust governed by a Plan. Accordingly, investors that propose to invest in Units through Plans should consult their own tax advisors before doing so to understand the potential tax consequences of exercising their redemption rights attached to such Units.

Risk Factors Relating to Canadian Income Taxes

Changes in Tax Laws

There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, or the administrative policies and assessing practices of the CRA will not be changed in a manner that adversely affects the Fund or Unitholders, including with respect to the Fund's qualification as a “mutual fund trust” and requirements to not be a “SIFT trust”. Any such change could increase the amount of tax payable by the Fund or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of distributions.

Mutual Fund Trust Status

The Fund intends to comply with the requirements under the Tax Act such that it will qualify at all times as a “mutual fund trust” for purposes of the Tax Act, however no assurances can be given in this regard. Should the Fund cease to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Certain Canadian Federal Income Tax Considerations” and “Eligibility for Investment” would be materially and adversely different in certain respects.

Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of Non-Residents, except in limited circumstances. There is no way of rectifying such a loss of mutual fund trust status such that if, at any time, the Fund were to lose mutual fund trust status in this manner, the Fund would permanently cease to be a mutual fund trust. The Fund may also cease to qualify as a “mutual fund trust” for purposes of the Tax Act if a sufficient number of Unitholders of the Fund were to redeem their Units.

Restrictions on Non-Resident Ownership

In order to comply with the limitations on ownership by Non-Residents, the Declaration of Trust includes restrictions on the ownership of Units intended to limit the number of Units held by Non-Residents, such that non-residents of Canada for purposes of the Tax Act, partnerships that are not “Canadian partnerships” (as defined in the Tax Act) or any combination of the foregoing may not own Units representing more than 49% of the fair market value of all Units. The restrictions on the issuance of Units by the Fund to Non-Residents may negatively affect the Fund’s ability to raise financing for future acquisitions or operations.

SIFT Rules

Although, as of the date hereof, management expects that the Fund will not be a SIFT trust and the Holding LP will not be a SIFT partnership because the Units are not and will not be listed or traded on a stock exchange or other public market (within the meaning of the SIFT Rules) at all relevant times, there can be no assurance that the Fund will be able to meet the requirements in order for the Fund and Unitholders not to be subject to the tax imposed by the SIFT Rules in 2022 or future years. Please refer to the discussion under “Certain Canadian Federal Income Tax Considerations – Status of the Fund”. In the event that the SIFT Rules were to apply to the Fund, the impact to a Unitholder would depend, among other factors, on the particular circumstances of the holder, on the amount of the “non-portfolio earnings” (as defined in the Tax Act) of the Fund and on the amount of income distributed which would not be deductible by the Fund in computing its income in a particular year and what portions of the Fund’s distributions constitute “non-portfolio earnings” (as defined in the Tax Act), other income and returns of capital.

If the SIFT Rules were to apply to the Fund or the Holding LP, the SIFT Rules may have an adverse impact on the Fund and the Unitholders, on the value of the Units, and on the ability of the Fund to undertake financings and acquisitions; and the distributable cash of the Fund may be materially reduced.

Taxable Income Exceeding Cash Distributions

Whether or not a Fund pays cash distributions in a particular year, it is expected that the Fund will make sufficient distributions (in the form of additional Units if cash distributions are not paid) to ensure that the Fund is not subject to non-refundable tax under Part I of the Tax Act for the year. Accordingly, Unitholders may be subject to tax under the Tax Act on their share of the Fund’s income regardless of whether cash distributions are paid.

Non-Resident Holders

The Tax Act may impose additional withholding or other taxes on distributions made by the Fund to Unitholders who are Non-Residents. Such taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. In addition, this Prospectus does not describe the tax consequences under the Tax Act to Non-Residents of acquiring, holding or disposing of Units, which may be materially and adversely different than the consequences to Canadian resident Unitholders. Prospective purchasers who are Non-Residents should consult their own tax advisors.

Loss Restriction Event

Pursuant to rules in the Tax Act, if the Fund experiences a “loss restriction event” (i) it will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of undistributed net income and net realized capital gains, if any, at such time to Unitholders to the extent necessary so that the Fund is not liable for non-refundable tax on such amounts under Part I of the Tax Act), and (ii) it will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, the Fund will be subject to a loss restriction event if a person becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the Fund, each as defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of a trust is a beneficiary of the trust whose beneficial interests in the income or capital of the trust, as the case may be, together with the beneficial interests in the income or capital of the trust, as the case may be, of persons and partnerships with whom such beneficiary is affiliated for the purposes of the Tax Act, represent greater than 50% of the fair market value of all the interests in the income or capital of the trust, as the case may be.

Gains and Losses on Capital Account

The tax treatment of gains and losses realized by the Fund will depend on whether such gains or losses are treated as being on income or capital account, as described in this paragraph. The Fund generally will treat gains (or losses) on the

disposition of its properties as capital gains (or capital losses). Designations with respect to the Fund's income and capital gains will be made and reported to Unitholders on the foregoing basis. The CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If any transactions of the Fund are determined not to be on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to its Unitholders could increase. Any such determination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to its Unitholders who were not resident in Canada for purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the Net Asset Value and Net Asset Value per Unit of the Fund.

For all of the above reasons and others set forth herein, the Units involve a certain degree of risk. Any person considering the purchase of Units should be aware of these and other factors set forth in this Prospectus and should consult with his or her legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their investment.

20. PROMOTER

Starlight Group may be considered to be the promoter of the Fund by reason of its initiative in organizing the business of the Fund and taking the steps necessary for the public distribution of the Units. As at the date hereof, neither Starlight Group nor any of its directors, officers or shareholders beneficially owns, controls or directs, directly or indirectly, any securities of the Fund other than one Class C Unit issued to Starlight Group on the formation of the Fund. However, following the Closing Date, the principal of Starlight Group is expected to initially indirectly own not less than \$6.0 million of Class C Units. The Manager, a wholly-owned Subsidiary of Starlight Group, will receive payment from the Fund and the Holding LP for services provided to the Fund and the Holding LP in respect of the acquisition or disposition of Properties and the ongoing management of the Properties.

The affiliate of Starlight Group that is vending the Nanaimo Property and the Langford Property to the Fund acquired such properties as part of the \$4.9 billion privatization of Northview Apartment Real Estate Investment Trust on November 2, 2020, pursuant to which the aggregate purchase price for the Nanaimo Property and the Langford Property has been deemed to be notionally allocated at \$84.2 million (including approximately \$16.3 million of additional construction costs required to complete the development of the Nanaimo Property).

21. LEGAL PROCEEDINGS

There are no outstanding legal proceedings to which the Fund is a party, nor are any such proceedings known to be contemplated.

22. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Fund was only recently formed and has not carried on any business to date. None of (i) the Manager, or the directors, executive officers or principal shareholder of the Manager, (ii) the Trustees, executive officers or principal securityholders of the Fund, or (iii) any associate or Affiliate of the persons referred to in (i) and (ii), has a material interest in any transaction carried out by the Fund or its Subsidiaries within the three years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect the Fund or any of its Subsidiaries, except that the Fund issued one Class C Unit to Starlight Group on the formation of the Fund. As disclosed herein:

- (a) upon closing of the Offering, Daniel Drimmer (the principal of Starlight Group) is expected to indirectly own all of the Holding LP Class B Units (see "Principal Securityholders");
- (b) Denim Smith (a pending member of the Board of Trustees of the Fund) is Managing Director, Investment Banking (Real Estate) of Echelon Wealth Partners Inc., one of the Agents;
- (c) the Fund will be managed by the Manager pursuant to the Management Agreement (see "The Manager and the Management Agreement" and "Trustees and Officers");
- (d) on the Closing Date or shortly thereafter, the Fund will indirectly acquire the Nanaimo Property and the Langford Property from an Affiliate of the Manager. The purchase price in respect of the Nanaimo Property and the Langford Property is to be less than their aggregate appraised value (see "Description of the Activities of the Fund – The Initial Portfolio – Acquisition Agreements"); and

- (e) pursuant to the Trade-Mark Licence Agreement, Starlight Group will grant to the Fund a royalty-free, non-exclusive licence to, among other things, use the “Starlight” trade-marks in Western Canada for the purpose of conducting its activities as provided for by the Declaration of Trust.

23. AUDITORS

The auditors of the Fund are BDO Canada LLP, 222 Bay Street, Suite 2200, Toronto, Ontario.

24. REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Units is TSX Trust Company at its principal office in Toronto. Registration and transfers of Units will be effected only through the NCI system administered by CDS. Beneficial owners of Units will not, except in certain limited circumstances, be entitled to receive certificates evidencing their ownership of Units that are purchased. Beneficial owners of Units will not have the right to receive physical certificates evidencing their ownership of such securities. See “Plan of Distribution” and “Description of the Securities Distributed – Units”.

25. EXEMPTIONS FROM CERTAIN DISCLOSURE REQUIREMENTS

Pursuant to Part 19 of NI 41-101, and as evidenced by the receipt for this Prospectus issued by the relevant Canadian provincial securities regulatory authorities, the Fund has been granted an exemption from certain financial statement disclosure requirements of NI 41-101 in respect of the Initial Portfolio.

The Fund intends to use the proceeds of this Offering to acquire the Properties comprising the Initial Portfolio as described herein. Pursuant to Section 32.1(b) of Form 41-101F1, the Initial Portfolio may be considered to be the primary business of the Fund. As a result, Section 32.1(b) of Form 41-101F1 would require the Fund to include in this Prospectus: (i) annual financial statements for the Initial Portfolio for each of the two most recently completed financial years, with statements of financial position as at the end of the two most recently completed financial years, and (ii) interim financial statements for the most recently completed interim period, with statements of financial position as at the end of the most recently completed interim period and the corresponding period for the immediately preceding financial year, all prepared in accordance with IFRS applicable to publicly accountable enterprises.

The Fund’s application for relief was granted based on the following:

- (a) The financial disclosure included in this Prospectus consists of the following:
 - (i) an audited statement of changes in partners’ equity and cash flows of the Fund for the one-day period ended November 12, 2021;
 - (ii) an audited statement of financial position of the Fund as at November 12, 2021;
 - (iii) an unaudited pro forma consolidated statement of financial position of the Fund as at September 30, 2021 (giving effect to the Offering including the acquisition of the Initial Portfolio by the Fund as if such events occurred on September 30, 2021); unaudited pro forma consolidated statements of net income (loss) and comprehensive income (loss) for the nine-months ended September 30, 2021 and the year ended December 31, 2020 (in each case giving effect to the Offering including the acquisition of the Initial Portfolio by the Fund as if such events occurred on January 1, 2020); together with accompanying notes, prepared using the same accounting policies of the statements described above and in accordance with the applicable requirement;
 - (iv) separate financial statements for each of the Properties comprising the Initial Portfolio, prepared in accordance with IFRS, as follows:
 - (A) in respect of the Langford Property (and accompanying notes thereto), audited statements of net income and comprehensive income, changes in owners’ equity and statements of cash flows for the year ended December 31, 2020 and the period from October 1, 2019 (date of acquisition) to December 31, 2019; audited statements of financial position as at December 31, 2020 and December 31, 2019; audited statements of net income and comprehensive income and statements of cash flows for the three and nine month periods ended September 30, 2021 together with comparative unaudited financial information for

the three and nine month periods ended September 30, 2020; audited statements of changes in owners' equity for the nine month period ended September 30, 2021, together with comparative unaudited financial information for the nine month period ended September 30, 2020; and an audited statement of financial position as at September 30, 2021;

- (B) in respect of the Nanaimo Property (and accompanying notes thereto), audited statements of net income and comprehensive income, changes in owners' equity and statements of cash flows for the period from February 1, 2021 (commencement of operations) to September 30, 2021; unaudited statements of net income and comprehensive income and statements of cash flows for the three month period ended September 30, 2021; and an audited statement of financial position as at September 30, 2021;
- (C) in respect of the Langford Property 2 (and accompanying notes thereto), audited statements of net income and comprehensive income, changes in owners' equity and statements of cash flows for the year ended December 31, 2020 and the period from September 12, 2019 (date of acquisition) to December 31, 2019; audited statements of financial position as at December 31, 2020 and December 31, 2019; audited statements of net income and comprehensive income and statements of cash flows for the three and nine month periods ended September 30, 2021 together with comparative unaudited financial information for the three and nine month periods ended September 30, 2020; audited statements of changes in owners' equity for the nine month period ended September 30, 2021, together with comparative unaudited financial information for the nine month period ended September 30, 2020; and an audited statement of financial position as at September 30, 2021;
- (D) in respect of the Vernon Property (and accompanying notes thereto), audited statements of net income and comprehensive income, changes in owners' equity and statements of cash flows for the period from March 14, 2021 (commencement of operations) to September 30, 2021; unaudited statements of net income and comprehensive income and statements of cash flows for the three month period ended September 30, 2021; and an audited statement of financial position as at September 30, 2021;
- (E) in respect of the Vernon Property 2 (and accompanying notes thereto), audited statements of net income and comprehensive income, changes in owners' equity and statements of cash flows for the year ended December 31, 2020 and the period from December 2, 2019 (commencement of operations) to December 31, 2019; audited statements of financial position as at December 31, 2020 and December 31, 2019; audited statements of net income and comprehensive income and statements of cash flows for the three and nine month periods ended September 30, 2021 together with comparative unaudited financial information for the three and nine month periods ended September 30, 2020; audited statements of changes in owners' equity for the nine month period ended September 30, 2021, together with comparative unaudited financial information for the nine month period ended September 30, 2020; and an audited statement of financial position as at September 30, 2021;
- (v) a financial forecast in respect of the Properties comprising the Initial Portfolio consisting of consolidated statements of forecasted net loss and comprehensive loss for each of the three-month periods ending March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, and the twelve-month period ending December 31, 2022, prepared in accordance with applicable requirements, with an audit report thereon from the Fund's auditors.

(b) Starlight has, without success, made (including with the assistance of the current owner of the Langford Property 2) every reasonable effort to obtain access to, or copies of, historical accounting records in respect of the Langford Property prior to its acquisition by an Affiliate of Starlight and the Langford Property 2 for the period prior to its acquisitions by its current owner.

The Fund does not believe that the disclosure that the Fund is exempted from including in the Prospectus is necessary or is required for the Prospectus to have full, true and plain disclosure of all material facts with respect to the Units.

26. MATERIAL CONTRACTS

The following are the only material agreements, other than contracts entered into in the ordinary course of business, which the Fund and/or its Subsidiaries have or expect to enter into on or before the Closing Date. **Copies of these agreements are, or will be, available for inspection during regular business hours at the offices of the Manager, located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto, Ontario, M8X 2X3 during the period of distribution of the Units and will be available following the Closing Date at www.sedar.com.**

1. Declaration of Trust – described in “Description of the Securities Distributed – Units”.
2. Holding LP Agreement – described in “Description of the Securities Distributed – The Holding LP”.
3. Management Agreement – described in “The Manager and the Management Agreement”.
4. Agency Agreement – described in “Plan of Distribution – Agency Agreement”.
5. Nanaimo and Langford Properties Purchase Agreement – described in “Description of the Activities of the Fund – The Initial Portfolio – Acquisition Agreements” and associated assignment and assumption agreement.
6. Langford Property 2 and Vernon Properties Purchase Agreement – described in “Description of the Activities of the Fund – The Initial Portfolio – Acquisition Agreements” and associated assignment and assumption agreement.

27. EXPERTS

No professional person providing an opinion in this Prospectus expects to be elected, appointed or employed as a Trustee, senior officer or employee of the Fund or of an associate of the Fund, or is a promoter of the Fund or of any associate of the Fund.

Certain information relating to the Appraisals has been based upon reports by the Appraiser. As at the date of this Prospectus, the “designated professionals” of the Appraiser beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Fund, its associates or its Affiliates and no interests in property of the Fund, its associates or its Affiliates.

Certain legal matters in connection with this Offering will be passed upon by Blake, Cassels & Graydon LLP, on behalf of the Fund, and by Wildeboer Dellelce LLP, on behalf of the Agents. As at the date of this Prospectus, partners and associates of Blake, Cassels & Graydon LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Fund, its associates or its Affiliates and no interests in property of the Fund, its associates or its Affiliates. As at the date of this Prospectus, partners and associates of Wildeboer Dellelce LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Fund, its associates or its Affiliates and no interests in property of the Fund, its associates or its Affiliates.

BDO Canada LLP has prepared its audit report in respect of the financial statements of the Langford Property, the Nanaimo Property and the Fund’s statement of financial position, statement of changes in Unitholder’s equity and statement of cash flows which are included in this Prospectus. BDO Canada LLP has confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation and regulations.

RLB LLP has prepared its audit report in respect of the financial statements of the Langford Property 2, the Vernon Property and the Vernon Property 2 which are included in this Prospectus. RLB LLP has confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation and regulations. As at January 27, 2022, RLB LLP was not required by securities legislation to enter, and had not entered, into a participation agreement with the Canadian Public Accountability Board. An audit firm that enters into a participation agreement is subject to the oversight program of the Canadian Public Accountability Board.

28. PURCHASERS' STATUTORY RIGHTS AND OTHER CONTRACTUAL RIGHTS

Securities legislation in certain of the provinces of Canada provides Purchasers with the right to withdraw from an agreement to purchase securities within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a Purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the Purchaser, provided that such remedies for rescission or damages are exercised by the Purchaser within the time limit prescribed by the securities legislation of the applicable province. The Purchaser should refer to the securities legislation in the province in which the Purchaser resides for the particulars of these rights or consult with a legal advisor.

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Date of formation Consolidated Financial Statements
(Expressed in Canadian dollars)

STARLIGHT WESTERN CANADA MULTI- FAMILY (NO. 2) FUND

As at November 12, 2021 and for the one-day period ended November 12, 2021

Independent Auditor's Report

To the trustees of Starlight Western Canada Multi-Family (No. 2) Fund

Opinion

We have audited the consolidated financial statements of Starlight Western Canada Multi-Family (No. 2) Fund and its subsidiaries (the "Fund"), which comprise the consolidated statement of financial position as at November 12, 2021 (date of formation), and the consolidated statements of changes in unitholder's equity and cash flows for the one-day period ended November 12, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at November 12, 2021 (date of formation), and its financial performance and its cash flows for the one-day period ended November 12, 2021 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

January 27, 2022

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at November 12, 2021 (date of formation)

(In Canadian dollars)

Assets	
Cash	<u>\$10</u>
Unitholder's equity	
Unitholder's equity	<u>\$10</u>

Approved on behalf of the Board of Trustees of
Starlight Western Canada Multi-Family (No. 2) Fund:

(Signed) DANIEL DRIMMER
Trustee

See accompanying notes to the consolidated financial statements.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND
CONSOLIDATED STATEMENT OF CHANGES IN UNITHOLDER'S EQUITY

One-day period ended November 12, 2021 (date of formation)

(In Canadian dollars)

Unitholder's equity, beginning of period	\$ -
Issuance of units on formation	<u>10</u>
Unitholder's equity, end of period	<u><u>\$10</u></u>

See accompanying notes to the consolidated financial statements

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

CONSOLIDATED STATEMENT OF CASH FLOWS

One-day period ended November 12, 2021

(In Canadian dollars)

Financing activity:	
Issuance of units on formation	<u>\$10</u>
Increase in cash	<u>10</u>
Cash, beginning of period	<u>—</u>
Cash, end of period	<u>\$10</u>

See accompanying notes to the consolidated financial statements

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the one-day period ended November 12, 2021

1. ORGANIZATION

The Fund is a “open-ended fund” established pursuant to an initial declaration of trust dated November 12, 2021, where one Class C trust unit of the Fund (“Class C Unit”) was issued to Starlight Group Property Holdings Inc. (“Starlight Group” and together with its affiliates “Starlight”) for \$10.00 in cash. The Fund was established under the laws of the Province of Ontario. The head and registered office of the Fund is located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto, Ontario, M8X 2X3.

The Fund was established for the primary purpose of directly or indirectly acquiring, owning, operating and stabilizing a portfolio primarily composed of income producing multi-family properties in Western Canada.

2. BASIS OF PRESENTATION

These consolidated financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards. These consolidated financial statements were approved by the Board of Trustees of the Fund and authorized for issue on January 27, 2022.

As there have been no operations during the period, a consolidated statement of income and comprehensive income has not been prepared.

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries. All intercompany transactions and account balances have been eliminated upon consolidation.

When the Fund is exposed to or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary. The existence and effect of potential substantive voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Partnership using consistent accounting policies.

The following significant entities operate as wholly owned subsidiaries of the Fund:

- Starlight Western Canada Multi-Family (No. 2) GP, Inc.; and
- Starlight Western Canada Multi-Family (No. 2) Holding LP.

(b) Cash and cash equivalents

Cash includes cash on hand balances and unrestricted cash. Restricted cash includes cash on hand which can only be used for specified purposes including tenant security deposits and amounts held by lenders for property taxes on behalf of the Fund. For the one-day period ended November 12, 2021 the Fund did not have any unrestricted cash or short-term investments.

(c) Unitholder's equity

Units of the Fund are redeemable at the holder's option and therefore are considered a puttable instrument in accordance with International Accounting Standard 32 - Financial Instruments: Presentation ("IAS 32"), subject to certain limitations and restrictions. Puttable instruments are required to be accounted for as financial liabilities, except where certain conditions are met, in which case, the puttable instruments may be presented as Unitholder's equity. Class C Units meet the necessary conditions and have therefore been presented as Unitholder's equity under IAS 32.

4. UNITHOLDER'S EQUITY

The beneficial interests in the Fund are divided into three classes of units: Class A Units; Class B Units; and Class C Units. The Fund is authorized to issue an unlimited number of Units of each class.

Each Unitholder is entitled to one vote per Unit held and votes of Unitholders will be conducted with holders of Class A Units, Class B Units, Class C Units and Special Voting Units voting together as a single class. Notwithstanding the foregoing, if the Board of Trustees determines that the nature of the business to be transacted at a meeting affects Unitholders of one class of Units in a manner materially different from its effect on Unitholders of another class of Units, the Units of such affected class will be voted separately as a class.

5. COMMITMENTS

The Fund has committed to enter into a management agreement ("Management Agreement") with Starlight Investments CDN AM Group LP (the "Manager"), which is a wholly-owned subsidiary of Starlight Group. Pursuant to the terms of the Management Agreement, the Manager will be appointed as the sole and exclusive manager of the affairs of the Fund and will provide the Fund with the strategic, advisory, asset management, administrative, property management, leasing, construction management and administrative services necessary to manage the day-to-day operations of the Fund and its properties.

The services to be provided by the Manager under the terms of the Management Agreement include, without limitation: (i) the structuring of the Offering, the Fund and the Holding LP, (ii) liaising with legal and tax counsel, (iii) identifying Properties for acquisition, (iv) maintaining ongoing relationships with the lenders in respect of the Mortgage Loans and other debt (if any) for the Properties, (v) conducting continuous analysis of market conditions to monitor the Holding LP's investment in the Properties, (vi) advising the Fund and with respect to the Disposition of the Properties, (vii) providing investor communication and reporting services to the Fund, and (viii) doing all such other acts or things and entering into agreements or documents on behalf of the Fund and/or the Holding LP to seek to achieve the investment objectives of the Fund.

In connection with the provision of the services to be provided by the Manager, the Fund, or a subsidiary of the Fund, will pay the following fees to the Manager:

- (a) An aggregate base annual management fee calculated and payable on a monthly basis in arrears in cash on the first day of each month equal to 0.35% of Gross Asset Value.
- (b) An acquisition fee to be paid in full upon the completion of the purchase of a property and equal to 1.00% of the purchase price paid by the Fund for the purchase of such property.
- (c) In the event the Manager or any of its Affiliates is required by the lenders to provide a financing guarantee in connection with an amount borrowed by the Fund or its Subsidiaries relating to a Property, the Fund will, in consideration for providing such guarantee, pay the Manager, in the aggregate, an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds borrowed by the Fund and its Subsidiaries, which Guarantee Fee shall be calculated and payable to the Manager or its appointee on a monthly basis in arrears in cash on the last day of each month during the term of the Management Agreement.
- (d) The Manager expects the third-party property managers of the properties to undertake capital improvements (including supervising repairs, alterations, renovations and construction in connection with an acquired Property).

Through D.D. Acquisitions Partnership (as holder of the Holding LP Class B Units), Daniel Drimmer is indirectly entitled to the Carried Interest, being (i) an aggregate amount equal to 25% of the total of all amounts each of which is the amount, if any, by which (A) the aggregate amount of distributions which would have been paid on all Units of a particular class if all Distributable Cash of the Holding LP was received by the Fund (including through the Holding GP), together with all other amounts distributable by the Fund (including Distributable Cash generated by investees of the Fund not held through the Holding LP, if any), and distributed by the Fund (net of any amounts required to provide for expenses) to Unitholders of the Fund in accordance with the Declaration of Trust, exceeds (B) the aggregate Minimum Return (being 7.0%) in respect of such class of Units (the calculation of which includes the amount of the Investors Capital Return Base), provided that, to the extent that the aggregate amount of distributions which would have been paid on all Units of a particular class pursuant to the foregoing exceeds the Minimum Return for such class, D.D. Acquisitions Partnership will first be entitled to an aggregate amount equal to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable to Unitholders of each class in excess of the Investors Capital Return Base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by D.D. Acquisitions Partnership in respect of such class, and if more than one series of a class of Units is issued subsequent to the Closing Date, the foregoing calculations and distributions will be separately determined on the basis of each such series.

6. SUBSEQUENT EVENTS

The Offering

Pursuant to an agency agreement dated January 27, 2022, the Fund and the Manager have engaged CIBC World Markets Inc. as Lead Agent to offer for sale to the public, pursuant to the prospectus dated January 27, 2022 a maximum of \$130,000,000 of Units of the Fund at a purchase price of \$10.00 per Unit. The maximum of \$130,000,000 of Units shall be reduced by the aggregate subscription amount for any Class C Units sold on a concurrent private placement basis at the discretion of the Fund to senior management of the Manager, certain other investors known to the Manager, and Lead Investors, if any, and, except where the context requires otherwise, assumes that Class A Units, Class B Units, and Class C Units are issued pursuant to this Prospectus. The Class B Units are designed for fee-based accounts and differ from the Class A Units in that the Class B Units are not required to pay the selling concession. The Class C Units are designed for senior management of the Manager, certain other investors known to the Manager, and the Lead Investors, if any, and differ from the Class A Units in that the Class C Units are not required to pay the Agents' Fee or any selling concession. Following the completion of the Offering, the Fund intends to indirectly acquire the Minimum Offering Portfolio, comprising 495 multi-family suites in five Properties located in Nanaimo, Langford and Vernon, British Columbia.

Pro Forma Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

As at September 30, 2021 and for the nine months ended September 30, 2021 and the year ended
December 31, 2020
(Unaudited)

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Pro Forma Consolidated Statement of Financial Position
(Expressed in thousands of Canadian Dollars)

As at September 30, 2021 (Unaudited)

Starlight Western Canada Multi-Family (No. 2) Fund																
Assets																
Non-current assets:																
Investment properties	\$	-	\$	105,100	\$	24,900	\$	31,110	\$	17,471	\$	12,013	\$	7,293	3(c)	\$ 197,887
Derivative financial assets		-		2		3		-		-		-		(5)	3(h)	-
Total non-current assets				105,102		24,903		31,110		17,471		12,013		7,288		197,887
Current assets:																
Tenant and other receivables, net		-		282		1		6		6		2		-	3(c)	297
Prepaid expenses and deposits/other assets		-		64		19		38		39		31		-	3(c)	191
Restricted cash		-		375		82		75		44		33		-	3(c)	609
Cash		-		3,246		-		557		157		126		61,000	3(a)	4,164
														(1,530)	3(a)	
														(1,042)	3(a)	
														(4,086)	3(c)	
														(196,167)	3(e)	
														141,903	3(d)	
Total current assets				3,967		102		676		246		192		78		5,261
Total assets		\$	-	\$ 109,069	\$	25,005	\$	31,786	\$	17,717	\$	12,205	\$	7,366		\$ 203,148
Liabilities																
Non-current liabilities:																
Mortgages payable	\$	-	\$	-	\$	11,827	\$	14,131	\$	9,107	\$	6,741	\$	(41,806)	3(c)	\$ 139,699
Loans payable		-		2,897		4,746		-		-		-		(7,643)	3(c)	-
Total non-current liabilities				2,897		16,573		14,131		9,107		6,741		90,250		139,699
Current liabilities:																
Mortgages payable		-		-		207		318		195		160		(880)	3(c)	2,204
Loans payable		-		46,531		-		-		-		-		(46,531)	3(c)	-
Bank overdraft		-		-		583		-		-		-		(583)	3(c)	-
Accounts payable and accrued liabilities		-		2,279		167		135		151		85		-	3(c)	-
Finance cost payable		-		-		35		47		25		14		(121)	3(c)	-
Total current liabilities				48,810		992		500		371		259		(45,911)		5,021
Total liabilities (excluding net assets attributable to Unitholders)				51,707		17,565		14,631		9,478		7,000		44,339		144,720
Owners' equity/Unitholders' equity/Net Assets attributable to Unitholders:																
Net assets attributable to Unitholders		-		-		-		-		-		-		61,000	3(a),4	58,428
														(1,530)	3(a),4	
														(1,042)	3(a),4	
														(95,401)	3(c)	-
Owner's/Unitholders' equity				57,362		7,440		17,155		8,239		5,205				-
Total Liabilities and Net Assets				109,069		25,005		31,786		17,717		12,205		7,366		203,148
Attributable to Unitholders		\$	-	\$ 109,069	\$	25,005	\$	31,786	\$	17,717	\$	12,205	\$	7,366		\$ 203,148

See accompanying notes to the pro forma consolidated financial statements.

Pro Forma Consolidated Statement of Net Income (Loss) and Comprehensive Income (Loss)
(Expressed in thousands of Canadian Dollars)

Starlight Western Canada Multi-Family (No. 2) Fund									
		Nanaimo Property	Langford Property	Langford Property 2	Vernon Property	Vernon Property 2	Pro forma adjustments	Notes	Total
Revenue from property operations	\$	\$ 1,893	\$ 852	\$ 1,216	\$ 834	\$ 582	\$	–	\$ 5,377
Operating expenses:									
Property operating costs	–	412	181	211	209	164		100	1,277
Realty/Property taxes	–	137	55	84	59	44		–	379
Total operating expenses	–	549	236	295	268	208		100	1,656
Income from rental operations	–	1,344	616	921	566	374		(100)	3,721
Distributions to Unitholders	–	–	–	–	–	–		(1,601)	(1,601)
Finance costs	–	(653)	(485)	(437)	(243)	(131)		(1,142)	(3,091)
Asset management fees / Fund and trust expenses	–	(79)	(40)	(27)	(19)	(13)		178	(851)
								(276)	
								(575)	
Fair value gain / (loss) on investment properties	–	(2,086)	798	5,215	2,277	1,133		(7,337)	–
Net income (loss) and comprehensive income (loss)	\$	\$(1,474)	\$ 889	\$ 5,672	\$ 2,581	\$ 1,363		\$ (10,853)	\$ (1,822)

See accompanying notes to the *pro forma* consolidated financial statements.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Pro Forma Consolidated Statement of Net Income (Loss) and Comprehensive Income (Loss)
(Expressed in thousands of Canadian Dollars)

For the year ended December 31, 2020
(Unaudited)

Starlight Western Canada Multi-Family (No. 2) Fund											
		Langford Property	Langford Property 2	Vernon Property	Vernon Property 2	Pro forma adjustments	Notes	Total			
Revenue from property operations	\$	-	\$ 1,096	\$ 1,496	\$ 1,019	\$ 547	-	\$ 4,158			
Operating expenses:											
Property operating costs	-		229	263	289	232	119	1,132	3(f)		
Realty/Property taxes	-		71	122	86	62	-	341			
Total operating expenses	-		300	385	375	294	119	1,473			
Income from rental operations	-		796	1,111	644	253	(119)	2,685			
Distributions to Unitholders	-		-	-	-	-	(2,135)	(2,135)	3(g)		
Finance costs	-		(469)	(595)	(334)	(76)	(565)	(2,039)	3(h)		
Asset management fees / Fund and trust expenses	-		(8)	(33)	(23)	(8)	72	(718)	3(i)		
							(350)		3(i)		
							(368)		3(i)		
Acquisition costs	-		-	-	-	-	(4,187)	(4,187)	3(c)(i)		
Fair value gain / (loss) on investment properties	-		(20)	1,482	1,592	548	(3,602)	-	3(j)		
Net income (loss) and comprehensive income (loss)	\$	-	\$ 299	\$ 1,965	\$ 1,879	\$ 717	\$ (11,254)	\$ (6,394)			

See accompanying notes to the pro forma consolidated financial statements.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

Nine months ended September 30, 2021 and year ended December 31, 2020
(Unaudited)

1. Nature of operations and basis of presentation:

(a) Nature of operations:

Starlight Western Canada Multi-Family (No. 2) Fund (the “Fund”) is a “open-end fund” established pursuant to an initial declaration of trust dated November 12, 2021 and governed by the laws of the Province of Ontario. The Fund’s objective is to directly or indirectly acquire, own, operate and stabilize a portfolio primarily composed of income-producing multi-family properties that demonstrate value based on pricing and local supply and demand trends to achieve the Fund’s target metrics, and are located primarily on Vancouver Island and the mainland of the Province of British Columbia, increasing in-place rents to market rents, make stable monthly cash distributions, and increase net operating income through active asset management, lease up of non-stabilized properties, utilizing revenue management software to increase rental rates, revenue enhancement through ancillary income opportunities and operating expense reductions, with the goal of ultimately directly or indirectly disposing of its interests in the assets by the end of the Fund’s targeted term. The term of the Fund is targeted to be three years, with two one-year extensions at the option of the Fund’s Board of Trustees and may be further extended by special resolution of the Fund’s unitholders and approval by Starlight Investments CDN AM Group LP (the “Manager”).

The registered office of the Fund is located at 3280 Bloor St West, Suite 1400, Toronto, Ontario, M8X 2X3. The accompanying unaudited *pro forma* consolidated financial statements of the Fund have been prepared on the basis that: (i) the Fund will own all of the Class A limited partnership units of Starlight Western Canada Multi-Family (No. 2) Holding LP (the “Holding LP”), a limited partnership formed pursuant to and governed by the laws of Ontario, and 100% of the shares in the capital of the general partner of Holding LP, and a 100% interest in 733 Goldstream Avenue in Langford, British Columbia (the “Langford Property”), 6035 Linley Valley Drive and 4800 Uplands Drive in Nanaimo, British Columbia (the “Nanaimo Property”), 2699 Peatt Avenue in Langford, British Columbia (“Langford Property 2”), 3400 Centennial Drive in Vernon, British Columbia (the “Vernon Property”) and 1803 31A Street in Vernon, British Columbia (“Vernon Property 2”, together with the Langford Property, Nanaimo Property, Langford Property 2 and Vernon Property, the “Initial Portfolio”) for a combined 495 multi-family residential suites.

(b) Basis of presentation:

The accompanying unaudited *pro forma* consolidated financial statements of the Fund have been prepared from information derived from, and should be read in conjunction with, the following financial statements:

- Consolidated financial statements of the Fund as at and for the one-day period ended November 12, 2021;
- Carve-out financial statements of the Nanaimo Property as at September 30, 2021 and for the eight-month period from February 1, 2021 (commencement of rental operations) to September 30, 2021;
- Carve-out financial statements of the Langford Property as at September 30, 2021 and for the nine-month period then ended;
- Carve-out financial statements of the Langford Property for the year ended December 31, 2020;
- Carve-out financial statements of Langford Property 2 as at September 30, 2021 and for the nine-month period then ended;
- Carve-out financial statements of Langford Property 2 for the year ended December 31, 2020;

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)
(Unaudited)

1. Nature of operations and basis of presentation (continued):

(b) Basis of presentation (continued):

- Carve-out financial statements of the Vernon Property as at September 30, 2021 and for the nine-month period then ended;
- Carve-out financial statements of the Vernon Property for the year ended December 31, 2020;
- Carve-out financial statements of Vernon Property 2 as at September 30, 2021 and for the nine-month period then ended; and
- Carve-out financial statements of Vernon Property 2 for the year ended December 31, 2020.

The accompanying *pro forma* consolidated financial statements give effect to:

- (i) the completion of an equity offering for assumed gross subscription proceeds of \$61,000 (the "Offering") through the issuance of Class A units and/or Class B units and/or Class C; and
- (ii) the intended acquisition of the Initial Portfolio, as further described below.

The unaudited *pro forma* consolidated statement of financial position gives effect to the transactions in note 3 as if they had occurred on September 30, 2021. The unaudited *pro forma* consolidated statements of net income (loss) and comprehensive income (loss) for the nine months ended September 30, 2021 and the year ended December 31, 2020 give effect to the transactions in note 3 as if they had occurred on January 1, 2020.

The *pro forma* adjustments have been determined based on estimates and judgments from information available as of the date of issuance of such financial statements. Accordingly, the unaudited *pro forma* consolidated financial statements are not necessarily indicative of the results that would have actually occurred had the transactions been consummated at the dates indicated nor are they necessarily indicative of the future financial performance or the financial position of the Fund.

The Nanaimo Property is a new development completed in 2021, with non-developmental expenses beginning to be incurred and leasing activity commencing in February 2021. As a result, there is no historical financial information suitable for the purposes of preparing audited financial statements of the rental operations of the Nanaimo Property prior to February 2021 and no comparative information or *pro forma* adjustments have been included or disclosed in the *Pro Forma* Consolidated Statement of Net Income (Loss) and Comprehensive Income (Loss) for the year ended December 31, 2020 in respect of the Nanaimo Property.

These *pro forma* consolidated financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Standards Interpretations Committee, and incorporate the principal accounting policies used to prepare the audited financial statements of the Fund and other financial statements, as applicable, for each of the properties that comprise the Initial Portfolio.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)
(Unaudited)

2. Significant accounting policies:

(a) Basis of consolidation:

The Fund's unaudited *pro forma* consolidated financial statements reflect the consolidation of the Initial Portfolio acquired and the Fund's subsidiaries. A subsidiary is an entity over which the Fund has control. Control exists when the Fund has power over an entity, exposure or rights to variable returns as a result of the Fund's involvement with the entity, and the ability to use its power over the entity to affect the amount of the Fund's returns.

All intercompany balances and transactions have been eliminated upon consolidation.

(b) Investment properties:

A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise.

Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts and third-party appraisals. Subsequent capital expenditures are charged to investment property only when it is probable that the future economic benefits of the expenditure will flow to the Fund and the cost can be measured reliably.

(c) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from the investment property includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, waste removal income and all other incidental income paid by the tenants and other vendors under the terms of their existing leases and contracts.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

(d) Cash:

Cash includes cash on hand balances and unrestricted cash. Restricted cash includes cash which can only be used for specified purposes including tenant security deposits.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)
(Unaudited)

2. Significant accounting policies (continued):

(e) Functional currency:

The functional currency of the Fund is the Canadian dollar, which is the operating currency of the Fund's Initial Portfolio, as well as the operating currency of all of the Fund's subsidiaries.

(f) Income taxes:

The Fund qualifies as a Mutual Fund Trust for Canadian income tax purposes pursuant to the Income Tax Act (Canada) (the "Tax Act"). In accordance with the terms of the Declaration of Trust, the Fund intends to distribute its income for income tax purposes each year to such an extent that it will not be liable for income taxes under Part I of the Tax Act. The Fund is eligible to claim a tax deduction for distributions paid and, intends to continue to meet the requirements under the Tax Act. Accordingly, no provision for income taxes payable is required or has been made. Income tax obligations relating to distributions of the Fund are the obligations of the Unitholders.

(g) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVOCI"). Financial instruments are recognized initially at fair value. Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost; and (ii) FVTPL. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss.

Financial liabilities are classified as FVTPL when the financial liability is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IFRS 9, Financial Instruments ("IFRS 9"), permits the entire combined contract (asset or liability) to be designated at FVTPL.

The following table summarizes the Fund's classification and measurement of financial assets and liabilities:

	<u>Classification/Measurement</u>
<u>Financial assets:</u>	
Derivative financial instruments	FVTPL
Tenant and other receivables, net	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
<u>Financial liabilities:</u>	
Mortgages payable	Amortized cost
Loans payable	Amortized cost
Bank overdraft	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance costs payable	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)
(Unaudited)

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

At each report date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for the financial assets carried at amortized cost equal to the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows using the instrument's original EIR. The carrying amount of the instrument is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(h) Trust units

The Fund's trust units are redeemable at the holder's option and therefore are considered to be puttable instruments in accordance with IAS 32, Financial Instruments – Presentation. Puttable instruments are required to be accounted for as financial liabilities except where certain conditions are met in accordance with IAS 32 in which case the puttable instruments may be presented as equity. The Fund's trust units will not meet this exception.

(i) Finance costs and distributions to Unitholders:

Finance costs comprise interest expense on borrowings and amortization of mortgage transaction costs. Finance costs associated with financial liabilities presented at amortized cost are recognized in net income (loss) and comprehensive income (loss) using the effective interest method. Distributions to Unitholders are recognized into net income (loss) and comprehensive income (loss) in the period in which they are declared.

(j) Estimates:

The preparation of *pro forma* consolidated financial statements requires management to make critical judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the *pro forma* consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgements in these *pro forma* consolidated financial statements.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)
(Unaudited)

2. Significant accounting policies (continued):

(k) Critical judgements:

(i) Accounting for acquisitions:

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisition of the Initial Portfolio has been determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

(ii) Leases

The Fund makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Fund has determined that all of its leases are operating leases.

3. Pro forma adjustments:

The *pro forma* adjustments to the unaudited *pro forma* consolidated financial statements have been prepared to account for the closing of the Offering and the acquisition of the Initial Portfolio contemplated by the prospectus, as described below:

(a) The Offering:

The Fund proposes to issue various unit classes including Class A and/or Class B and/or Class C units at a price of \$10.00 per Class A unit, Class B unit, and Class C unit. The total proceeds from the Offering for all unit classes is a minimum of \$61,000 and a maximum of \$130,000, with assumed gross subscription proceeds of \$61,000. The Offering is expected to close on or about February 22, 2022, but in any event no later than March 30, 2022.

The pro forma assumes that the Fund will raise gross subscription proceeds of \$61,000 and acquire the Initial Portfolio. Costs related to the Offering include the agent's commission of \$1,530 and additional costs for legal fees and other professional fees of \$1,042. These amounts are consistent with the Offering as described in the Prospectus.

(b) Establishment of Starlight Western Canada Multi-Family (No. 2) Fund:

The Fund is a "open-end fund" established pursuant to an initial declaration of trust dated November 12, 2021, where one Class C trust unit of the Fund was issued to Starlight Group Property Holdings Inc. for \$10.00 in cash. Upon closing of the Offering, the initial Class C unit will be automatically redeemed.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

Nine months ended September 30, 2021 and year ended December 31, 2020
(Unaudited)

3. *Pro forma* adjustments (continued):

(c) Acquisition of the Initial Portfolio:

The impact of acquiring the net assets of the Initial Portfolio is as follows:

	Nanaimo Property	Langford Property	Langford Property 2	Vernon Property	Vernon Property 2	<i>Pro forma</i> adjustments	Net assets acquired
Investment properties ¹	\$ 105,100	\$ 24,900	\$ 31,110	\$ 17,471	\$ 12,013	\$ 7,293	\$ 197,887
Derivative financial assets	2	3	-	-	-	(5)	-
Tenant and other receivables	282	1	6	6	2	-	297
Prepaid expenses and deposits							
/other assets	64	19	38	39	31	-	191
Restricted cash	375	82	75	44	33	-	609
Cash ³	3,246	-	557	157	126	(4,086)	-
	109,069	25,005	31,786	17,717	12,205	3,202	198,984
Mortgages payable ²	-	(12,034)	(14,449)	(9,302)	(6,901)	42,686	-
Loans payable ²	(49,428)	(4,746)	-	-	-	54,174	-
Bank overdraft ³	-	(583)	-	-	-	583	-
Accounts payable and accrued liabilities	(2,279)	(167)	(135)	(151)	(85)	-	(2,817)
Finance costs payable ³	-	(35)	(47)	(25)	(14)	121	-
Net assets acquired	\$ 57,362	\$ 7,440	\$ 17,155	\$ 8,239	\$ 5,205	\$ 100,766	\$ 196,167

Consideration:

Cash paid	\$ 196,167
1. Investment properties have been increased by \$7,293 to reflect the purchase price for the properties by the Fund, which includes the purchase price of \$24,900 for the Langford Property, \$105,100 for the Nanaimo Property, \$32,900 for Langford Property 2, \$18,250 for the Vernon Property and \$12,550 for Vernon Property 2, an aggregate purchase price of the Initial Portfolio of \$193,700, as well as acquisition and real estate closing related costs of \$4,187.	
2. The existing mortgages and loans payable of the Initial Portfolio has been reduced to \$nil for the purposes of above. Please refer to additional adjustments to mortgages and loans payable to increase the mortgages and loans payable to the expected balances in place for the Fund which are included in note 3(d).	
3. The <i>pro forma</i> assumes cash acquired by the Fund is \$nil as cash will be netted with the purchase price net assets, therefore cash was reduced by \$4,086. \$3,503 net of bank overdraft of \$583. The <i>pro forma</i> assumes finance costs payable acquired to be \$nil as any outstanding costs associated with the existing mortgage will be paid upon acquisition, therefore finance costs payable were reduced by \$121.	

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to Pro Forma Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

Nine months ended September 30, 2021 and year ended December 31, 2020
(Unaudited)

3. *Pro forma* adjustments (continued):

(c) Acquisition of the Initial Portfolio (continued):

Acquisition-related costs of \$4,187 are anticipated to be incurred and were capitalized to the Initial Portfolio, of which \$1,998 related to real estate closing costs and \$2,189 related to the acquisition fee paid to the Manager (including Harmonized Sales Tax of 13% ("HST")). The acquisition fee is based on 1.00% plus HST on the purchase price of a multi-family property (see note 3(i)).

The actual calculation and allocation of the purchase price for the transactions outlined above will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the *pro forma* amounts and the variation may be material.

(d) Mortgages payable:

The Langford Property is expected to close with a new first mortgage of \$6,759 with costs incurred of approximately \$20 to obtain the mortgage. The mortgage is expected to have an initial term of two years and bear interest at the one-month Canadian Dollar Offered Rate ("CDOR") plus 2.00%, with interest-only payments until maturity.

The Langford Property is also expected to close with an assumed second mortgage of \$11,916. The mortgage will have an initial term of 83 months and will bear interest at a fixed rate of 2.00%, with interest and principal payments until maturity. The costs to be incurred associated with the assignment of the mortgage to the Fund are approximately \$30.

The Nanaimo Property is expected to close with a new first mortgage to the Fund of \$70,673 with costs incurred of approximately \$3,170 to obtain the mortgage. The mortgage will have an initial term of five years and is expected to bear interest at a fixed rate of 2.00%, with interest and principal payments until maturity.

The Nanaimo Property is also expected to close with a new second mortgage to the Fund of \$8,152 with costs incurred of approximately \$24 to obtain the mortgage. The mortgage will have an initial term of two years and is expected to bear interest at the one-month CDOR plus 2.00%, with interest-only payments until maturity.

Langford Property 2 is expected to close with a new first mortgage of \$10,331 with costs incurred of approximately \$31 to obtain the mortgage. The mortgage is expected to have an initial term of two years and bear interest at the one-month CDOR plus 2.00%, with interest only-payments until maturity.

Langford Property 2 is also expected to close with an assumed second mortgage of \$14,344. The mortgage will have an initial term of 39 months and will bear interest at a fixed rate of 3.91%, with interest and principal payments until maturity. The costs to be incurred associated with the assignment of the mortgage to the Fund are approximately \$36.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

Nine months ended September 30, 2021 and year ended December 31, 2020
(Unaudited)

3. *Pro forma* adjustments (continued):

(d) Mortgages payable (continued):

The Vernon Property is expected to close with a new first mortgage of \$4,468 with costs incurred of approximately \$13 to obtain the mortgage. The mortgage is expected to have an initial term of two years and bear interest at the one-month CDOR plus 2.00%, with interest-only payments until maturity.

The Vernon Property is also expected to close with an assumed second mortgage of \$9,219. The mortgage will have an initial term of 91 months and will bear interest at a fixed rate of 3.34%, with interest and principal payments until maturity. The costs to be incurred associated with the assignment of the mortgage to the Fund are approximately \$23.

Vernon Property 2 is expected to close with a new first mortgage of \$2,555 with costs incurred of approximately \$8 to obtain the mortgage. The mortgage is expected to have an initial term of two years and bear interest at the one-month CDOR plus 2.00%, with interest-only payments until maturity.

Vernon Property 2 is also expected to close with an assumed second mortgage of \$6,858. The mortgage will have an initial term of 103 months and will bear interest at a fixed rate of 2.35%, with interest and principal payments until maturity. The costs to be incurred associated with the assignment of the mortgage to the Fund are approximately \$17.

The Fund has assumed that finance costs have been replaced with the expected interest costs based on the following factors: (i) prevailing CDOR based on the historical monthly index rate throughout the respective nine months ended September 30, 2021 and year ended December 31, 2020 periods; (ii) outstanding principal of mortgages of the Fund; and (iii) credit spread for each applicable mortgage as described above. As a result, *pro forma* adjustments have been included to this extent under note 3(h).

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

Nine months ended September 30, 2021 and year ended December 31, 2020
(Unaudited)

3. *Pro forma* adjustments (continued):

(e) Sources and uses of cash:

The Fund's sources and uses of cash after the completion of the contemplated acquisition of the Initial Portfolio are as follows:

Sources:	
Proceeds from the Offering (note 3 (a))	\$ 61,000
Proceeds from new and assumed mortgage financing (note 3 (d))	145,275
	<u>\$ 206,275</u>
Uses:	
Purchase of the Initial Portfolio (including acquisition costs)	\$ (196,167)
Offering costs	(1,042)
Agent fees	(1,530)
Financing costs – new and assumed mortgages	(3,372)
	<u>\$ (202,111)</u>
Excess cash in the Fund	<u>\$ 4,164</u>

(f) Property operating expenses:

Property operating expenses have been increased by \$100 for the nine months ended September 30, 2021 to reflect expected higher property management fees at the Initial Portfolio of properties. Property operating expenses have been increased by \$119 for the year ended December 31, 2020 to reflect expected higher property management fees at the Langford Property, Langford Property 2, Vernon Property and Vernon Property 2. The expected property management fees in place will be based on 3.75% (plus applicable Goods and Services Tax of 5%) of gross collection receipts at all of the Initial Portfolio of properties, with the exception of the Nanaimo Property which is at 3.25% of gross collection receipts.

(g) Distributions to Unitholders:

The Fund has estimated distributions to Unitholders for the nine months ended September 30, 2021 and year ended December 31, 2020 to be \$1,601 and \$2,135, respectively. The distributions were calculated based on estimating the number of units per class to be issued to effect the gross subscription proceeds of \$61,000 at a yield of 3.5% on the gross subscription proceeds annually.

(h) Finance costs:

Finance costs have been increased by \$1,142 for the nine months ended September 30, 2021 comprised of:

- (i) An increase in interest costs of \$778 for the nine months ended September 30, 2021 to reflect changes in mortgage interest rates, based on the prevailing historical CDOR as applicable, which were between 0.41% and 0.43%, and the credit spread or fixed rate for each applicable mortgage, as well as the mortgage financing for the Initial Portfolio as outlined in note 3(d); and

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

Nine months ended September 30, 2021 and year ended December 31, 2020
(Unaudited)

3. *Pro forma* adjustments (continued):

(h) Finance costs (continued):

- (ii) To reflect differences in amortization of financing costs on the Initial Portfolio of \$359 for the nine months ended September 30, 2021; and
- (iii) To remove the fair value adjustments on derivative financial instrument on the Initial Portfolio of \$5 for the nine months ended September 30, 2021 as the derivative is not applicable for the new mortgages payable.

Finance costs have been increased by \$565 for the year ended December 31, 2020, reflecting:

- (i) An increase in interest costs of \$560 for the year ended December 31, 2020 to reflect changes in mortgage interest rates, based on the prevailing historical CDOR as applicable, which was between 0.47% and 2.03%, and the credit spread or fixed rate for each applicable mortgage, as well as the mortgage financing for the Initial Portfolio as outlined in note 3(d); and
- (ii) To reflect differences in amortization of financing costs on the Initial Portfolio of \$5 for the year ended December 31, 2020.

(i) Fund expenses and related party transactions:

Fund expenses have been adjusted:

- (i) To remove the current expenses incurred by the individual properties for each period resulting in adjustments of \$178 for the nine months ended September 30, 2021 and \$72 for the year ended December 31, 2020;
- (ii) To reflect the estimated amount of fund and trust expenses to be incurred by the Fund which amount to \$276 for the nine months ended September 30, 2021 and \$368 for the year ended December 31, 2020. General and administrative costs within fund and trust expenses include legal fees, audit fees, tax fees, board trustee fees, transfer agent fees, travel costs, and other miscellaneous costs. These amounts reflect the best estimate for annual general and administrative expenses for the Fund; and
- (iii) To reflect the asset management fees to be incurred by the Fund, Fund and trust expenses were increased to \$575 for the nine months ended September 30, 2021 and \$350 for the year ended December 31, 2020. Pursuant to a management agreement to be entered into between the Fund, the Holding LP and the Manager, the Manager will provide asset management services to the Fund and the Holding LP. The Manager will be entitled to an asset management fee of 0.35% plus HST on the fair market value as prescribed by the most recent annual appraisals of the properties of the multi-family properties ("Gross Asset Value"), with the initial Gross Asset Value being the purchase price of the properties paid or deemed paid by the Fund.

Pursuant to the management agreement, the Manager will be providing financing and other services in connection with the acquisition of investment properties. An acquisition fee has been included in acquisition-related costs, as described in note 3(c), of \$2,189 relating to the acquisition of the Initial Portfolio.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

Nine months ended September 30, 2021 and year ended December 31, 2020
(Unaudited)

3. *Pro forma* adjustments (continued):

(i) Fund expenses and related party transactions (continued):

In consideration for providing any financing guarantees in connection with the amount borrowed by the Fund or its subsidiaries relating to a Property, the Fund and/or the Holding LP will, in consideration for providing such guarantee, pay the Manager, in the aggregate, an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds borrowed by the Fund and its subsidiaries, which guarantee fee shall be calculated and payable to the Manager or its appointee on a monthly basis in arrears in cash on the first day of each month. As the Manager and its affiliates are not expected to provide a guarantee, no fees have been accrued.

D.D. Acquisitions Partnership (as holder of the Holding LP Class B Units) is entitled to (i) an aggregate amount equal to 25% of the total of all amounts each of which is the amount, if any, by which (A) the aggregate amount of distributions which would have been paid on all Units of a particular class if all Distributable Cash of the Holding LP was received by the Fund (including through the Holding GP), together with all other amounts distributable by the Fund (including Distributable Cash generated by investees of the Fund not held through the Holding LP, if any), and distributed by the Fund (net of any amounts required to provide for expenses) to Unitholders of the Fund in accordance with the Declaration of Trust, exceeds (B) the aggregate Minimum Return (being 7.0%) in respect of such class of Units (the calculation of which includes the amount of the Investors Capital Return Base), provided that, to the extent that the aggregate amount of distributions which would have been paid on all Units of a particular class pursuant to the foregoing exceeds the Minimum Return for such class, D.D. Acquisitions Partnership will first be entitled to an aggregate amount equal to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable to Unitholders of each class in excess of the Investors Capital Return Base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by D.D. Acquisitions Partnership in respect of such class, and, if more than one series of a class of Units is issued subsequent to the Closing Date, the foregoing calculations and distributions will be determined on the basis of each such series.

(j) Fair value adjustment of investment properties:

As the Initial Portfolio is accounted for using the fair value method of accounting for investment properties, the Initial Portfolio will be adjusted to fair value on an ongoing basis, with any fair value adjustments being included in the statement of net income (loss) and comprehensive income (loss). As a *pro forma* assumption of such fair value change is a prediction rather than an objectively determinable *pro forma* adjustment, these *pro forma* consolidated financial statements assume no change in the fair value of the investment properties during the nine months ended September 30, 2021 and year ended December 31, 2020 and have been adjusted to remove the impact of historical fair value changes on investment properties. The Fund's actual consolidated financial statements will include fair value changes and such changes could be material.

Acquisition-related costs of \$4,187 are anticipated to be incurred in conjunction with the Initial Portfolio and such amounts have been expensed during the year ended December 31, 2020, as these *pro forma* consolidated financial statements assume no change in the fair value of the investment properties and such acquisition-related costs would be immediately expensed.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

Nine months ended September 30, 2021 and year ended December 31, 2020
(Unaudited)

3. *Pro forma* adjustments (continued):

(k) Income taxes:

The Fund has assumed that on closing and beyond, the Fund intends to meet the requirements under the Tax Act and the Fund intends to distribute its income for income tax purposes each year to such an extent that it will not be liable for Canadian income taxes under Part I of the Tax Act. Accordingly, in the pro forma consolidated financial statements, the Fund has not recorded a provision for current income taxes or deferred income taxes in respect of the assets, liabilities or earnings of the Fund.

4. Net assets attributable to Unitholders:

The Fund is authorized to issue an unlimited number of units:

	Units (000's)		Amount
Balance, beginning of period	-	\$	-
Class A, B, C units (Offering)	6,100		61,000
Unit issuance costs (Agent fees)	-		(1,530)
Unit issuance costs (other)	-		(1,042)
Balance, end of period	6,100	\$	58,428

5. Related party transaction:

The Fund will indirectly acquire the Langford Property and Nanaimo Property from an entity asset managed and partially owned by an affiliate of the Manager. The Manager is owned and controlled by an entity ultimately controlled by Daniel Drimmer, CEO of the Manager and indirect minority owner of the Properties.

The Vernon Property, Vernon Property 2 and Langford Property 2 will be indirectly acquired by the Fund from a non-related party.

6. Risk Management:

On March 11, 2020, the World Health Organization characterized the outbreak of the novel coronavirus ("COVID-19") as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The spread of the COVID-19 coronavirus pandemic has had a material and substantial impact on the Canadian and global economy.

Vaccination programs continue across the Canada but in the event the vaccination program across Canada, and globally, does not contain the spread of COVID-19 or if there are delays in the timely administration of further vaccines or shortages in the vaccine supply chain, there is the potential to cause a further economic slowdown and increased volatility in financial markets. Although the Canadian federal government has introduced monetary and fiscal interventions aimed at stabilizing the economy and devoted significant resources to the mass vaccination program, uncertainty remains as to the overall impact and timing of these interventions on the Canadian debt and equity markets as well as the economies of both Canada and the markets in which the Fund operates. In addition, these uncertain economic conditions resulting from COVID-19 may adversely impact the demand for multi-family housing. The Fund will continue to actively monitor any continued impact COVID-19 may have on the Fund's operating results, specifically as they relate to rent

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Notes to *Pro Forma* Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

Nine months ended September 30, 2021 and year ended December 31, 2020
(Unaudited)

6. Risk Management (continued):

collections, occupancy, rent growth, ancillary fees and expenses incurred for preventative measures in response to COVID-19 at the Fund's properties.

Any future changes due to COVID-19 could materially impact the financial results of the Fund, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Fund's properties in future periods. Other impacts of COVID-19 may include the Fund's ability to access capital in future periods on favourable terms.

Carve-out Financial Statements
(In thousands of Canadian dollars)

LANGFORD PROPERTY

As at September 30, 2021 and December 31, 2020 and for the three and nine months ended September 30, 2021 and 2020

Independent Auditor's Report

To the Owners of the Langford Property

Opinion

We have audited the carve-out financial statements of Langford Property (the "Property"), which comprise the carve-out statement of financial position as at September 30, 2021, and the carve-out statements of net income and comprehensive income, changes in owners' equity and cash flows for the nine-month period ended September 30, 2021, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the Property as at September 30, 2021, and its financial performance and its cash flows for the nine-month period ended September 30, 2021 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Carve-out Financial Statements* section of our report. We are independent of the Property in accordance with the ethical requirements that are relevant to our audit of the carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the Property's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Property or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Property's financial reporting process.

Auditor's Responsibilities for the Audit of the Carve-out Financial Statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Property's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Property to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
January 27, 2022

LANGFORD PROPERTY

Carve-out Statements of Financial Position
(In thousands of Canadian dollars)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Non-current assets:			
Investment property	4	\$ 24,900	\$ 24,060
Derivative financial instruments	9	3	—
Total non-current assets		24,903	24,060
Current assets:			
Tenant and other receivables, net	5	1	17
Prepaid expenses and other assets	6	19	10
Restricted cash	7	82	70
Total current assets		102	97
TOTAL ASSETS		\$ 25,005	\$ 24,157
LIABILITIES			
Non-current liabilities:			
Mortgage payable	8	\$ 11,827	\$ 11,983
Loan payable	9	4,746	4,691
Total non-current liabilities		16,573	16,674
Current liabilities:			
Bank overdraft		583	—
Mortgage payable	8	207	202
Accounts payable and accrued liabilities	10	167	150
Finance costs payable		35	71
Total current liabilities		992	423
TOTAL LIABILITIES		\$ 17,565	\$ 17,097
Owners' equity		7,440	7,060
TOTAL LIABILITIES AND OWNERS' EQUITY		\$ 25,005	\$ 24,157

Commitments and contingencies (note 16).

Subsequent events (note 20).

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY

Carve-out Statements of Net Income and Comprehensive Income
(In thousands of Canadian dollars)

		Three months ended		Nine months ended	
	Note	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		(unaudited)	(unaudited)		(unaudited)
Revenue from property operations		\$ 298	\$ 279	\$ 852	\$ 821
Expenses:					
Property operating costs		48	62	181	175
Property taxes		25	18	55	53
Income from rental operations		225	199	616	593
Finance costs	12	159	107	485	323
Asset management fees	15	13	—	40	—
Fair value adjustment on investment property	4	(381)	10	(798)	(725)
Net income and comprehensive income		\$ 434	\$ 82	\$ 889	\$ 995

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY

Carve-out Statements of Changes in Owners' Equity
(In thousands of Canadian dollars)

For the three months ended September 30, 2021 (unaudited) and September 30, 2020 (unaudited):

Balance, July 1, 2021	\$	7,271
Net income and comprehensive income		434
Non-cash distributions to owners		(265)
Balance, September 30, 2021	\$	7,440

Balance, July 1, 2020	\$	10,749
Net income and comprehensive income		82
Non-cash contributions from owners		734
Balance, September 30, 2020	\$	11,565

For the nine months ended September 30, 2021 and September 30, 2020 (unaudited):

Balance, January 1, 2021	\$	7,060
Net income and comprehensive income		889
Non-cash distributions to owners		(509)
Balance, September 30, 2021	\$	7,440

Balance, January 1, 2020	\$	10,593
Net income and comprehensive income		995
Non-cash distributions to owners		(23)
Balance, September 30, 2020	\$	11,565

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY

Carve-out Statements of Cash Flows
(In thousands of Canadian dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		(unaudited)	(unaudited)		(unaudited)
Operating activities:					
Net income and comprehensive income		\$ 434	\$ 82	\$ 889	\$ 995
Adjustments for financing activities included in net income and comprehensive income:					
Finance costs	12	159	107	485	323
Adjustments for items not involving cash:					
Fair value adjustment on investment property	4	(381)	10	(798)	(725)
Change in non-cash operating working capital	13	(30)	(724)	24	(24)
Change in restricted cash	7	(3)	(2)	(12)	—
Cash provided by (used in) operating activities		179	(527)	588	569
Financing activities:					
Mortgage principal repayment	8	(51)	(49)	(151)	(145)
Credit facility drawdowns	9	24	—	13	—
Finance costs paid	12	(144)	(107)	(482)	(323)
Contributions from (distributions to) owners		(265)	734	(509)	(23)
Cash provided by (used in) financing activities		(436)	578	(1,129)	(491)
Investing activities:					
Capital additions to investment property	4	(19)	(290)	(42)	(115)
Cash used in investing activity		(19)	(290)	(42)	(115)
Decrease in cash		(276)	(239)	(583)	(37)
Cash (bank overdraft), beginning of period		(307)	255	—	53
Cash (bank overdraft), end of period		\$ (583)	\$ 16	\$ (583)	\$ 16

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

1. Nature of operations and basis of presentation:

Langford Property (the “Property” or “Langford”), as presented in these carve-out financial statements, is not a legal entity. As at September 30, 2021, the Property and its related assets and liabilities are owned by Galaxy VA 733 Goldstream Apartments Ltd. (the “Owner”).

The Property is a mid-rise apartment building, comprising 60 multi-family suites, located at 733 Goldstream Avenue, Victoria BC, V9B 2X4 Canada.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, financial performance, changes in owners’ equity and cash flows of the Property as required by Canadian securities regulations for inclusion in the prospectus relating to the public offering of units of Starlight Western Canada Multi-Family (No. 2) Fund (the “Fund”).

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owner and present the financial position, financial performance, changes in owners’ equity and cash flows of the Property for the periods presented as if the Property had been accounted for on a standalone basis. Management’s estimates, when necessary, have been used to prepare such allocations. This Property is part of a corporate group and as a result, these carve-out financial statements depict the owners’ equity in net assets representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

The financial information of the Property contained in the carve-out statements of financial position, carve-out statements of income and comprehensive income, changes in owners’ equity and cash flows and the notes for the three months ended September 30, 2021 and September 30, 2020 and the nine months ended September 30, 2020 are unaudited.

These carve-out financial statements were authorized for issuance by the board of trustees of the Fund on January 27, 2022.

(a) Basis of operations and statement of compliance:

The carve-out financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of the carve-out financial statements.

The carve-out financial statements have been prepared on a historical cost basis except for investment property and derivative financial instruments, which are stated at fair value.

(b) Functional and presentation currency:

These carve-out financial statements are presented in Canadian dollars, which is the functional currency of the Property and all amounts have been rounded to the nearest thousand except when otherwise indicated.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies:

(a) Critical judgments and estimates:

The preparation of carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property:

The estimates used when determining the fair value of the investment property are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing financial information and external market data and capitalization rates provided by independent industry experts.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(b) Investment property:

The Property selected the fair value method to account for real estate classified as investment property under IAS 40, Investment Property ("IAS 40"). A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property includes land and building structures, as well as residential suites situated on the property. The investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is measured at fair value. Gains and losses arising from changes in the fair value are included in the carve-out statements of net income and comprehensive income in the period in which they arise.

Fair values are primarily determined by using the capitalized net income approach which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts and third party appraisals. Subsequent capital expenditures are added to the carrying value of an investment property only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances held in the Property's bank accounts. Restricted cash can only be used for specified purposes. Tenant security deposits held by the Property are deemed restricted cash.

(d) Revenue recognition:

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases.

Revenue from the investment property includes all rental income earned from the Property, including residential tenant rental income, parking income, and all other incidental income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Finance costs:

Finance costs consist of interest on the mortgage and loan payable, bank overdraft, amortization of financing costs related to the mortgage and loan payable, and fair value changes in any derivative financial instruments.

(f) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost and (ii) FVTPL. Financial instruments are recognized initially at fair value.

The following table summarizes the Property's classification and measurement of financial assets and liabilities:

	<u>Classification/Measurement</u>
<u>Financial assets:</u>	
Tenant and other receivables, net	Amortized cost
Restricted cash	Amortized cost
Derivative financial instruments	FVTPL
Cash	Amortized cost
<u>Financial liabilities:</u>	
Mortgage payable	Amortized cost
Loan payable	Amortized cost
Bank overdraft	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance costs payable	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

At each reporting date, the Property assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Property recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(g) Income taxes:

The Property, as presented in these carve-out financial statements, is not a legal entity. As such, any income tax liabilities will be reported by the Owner.

(h) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Property has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment considering the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to the passage of time is recognized as a finance cost. The Property has not recorded any provisions as at September 30, 2021, or December 31, 2020.

3. Adoption of accounting standards:

Future accounting policy changes:

There were no new standards, interpretations or improvements to existing standards that were issued by the IASB or by the International Financial Reporting Interpretations Committee ("IFRIC") that either have not yet been adopted by the Property or that would have a material impact on the Property's financial condition or financial performance.

4. Investment property:

The following table summarizes the changes in the investment property for the nine months ended September 30, 2021 and year ended December 31, 2020:

Balance, January 1, 2020	\$	22,940
Capital additions		1,140
Fair value adjustment		(20)
Balance, December 31, 2020	\$	24,060
Capital additions		42
Fair value adjustment		798
Balance, September 30, 2021	\$	24,900

4. Investment property (continued):

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

The key valuation assumptions for the Property are set out in the following table:

	September 30, 2021	December 31, 2020
Capitalization rate	3.50 %	3.50 %

The Property determined the fair value of the investment property using the capitalized net income approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair value of the investment property is sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the investment property as set out in the following table:

Weighted average	Change	September 30, 2021	December 31, 2020
Capitalization rate	10 basis-point increase	\$ (700)	\$ (670)
Capitalization rate	10 basis-point decrease	\$ 700	\$ 710

The impact of a one percent change in the net operating income used to value the investment property as at September 30, 2021 and December 31, 2020 would increase/decrease the fair value by approximately \$200 and \$240, respectively. See Note 18(b) for potential impacts to the fair value as a result of the novel coronavirus ("COVID-19") global pandemic.

The fair value of the Property is considered a Level 3 measurement in the fair value hierarchy due to the extent of assumptions required beyond observable market data to derive the fair values.

5. Tenant and other receivables, net:

The following table presents details of the tenant and other receivables, net balance:

	September 30, 2021	December 31, 2020
Tenant and other receivables, net	\$ 1	\$ 17

The Property holds no collateral in respect of tenant and other receivables.

6. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balance:

	September 30, 2021	December 31, 2020
Prepaid insurance	\$ 1	\$ 7
Other prepaid expenses	18	3
	\$ 19	\$ 10

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

7. Restricted cash:

The following table presents details of the restricted cash balance:

	September 30, 2021	December 31, 2020
Restricted cash:		
Security deposits ⁽ⁱ⁾	\$ 82	\$ 70
	\$ 82	\$ 70

- (i) Security deposits relate to funds paid by tenants that are specifically restricted until a tenant exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

8. Mortgage payable:

Mortgage payable is secured by the investment property and bears interest at a fixed rate.

Property Name	Payment Terms	Renewal Date	Interest Rate	September 30, 2021	December 31, 2020
Langford Property	Principal + interest	December 1, 2028	3.52%	\$ 12,034	\$ 12,185

Classified as:

Non-current	\$ 11,827	\$ 11,983
Current	207	202
Total	\$ 12,034	\$ 12,185

The Property's repayment of mortgage principal is payable as follows:

	Principal payments	Balloon payments	Total
2021 - remainder of the year	\$ 51	\$ —	\$ 51
2022	209	—	209
2023	216	—	216
2024 and thereafter	224	\$ 11,334	\$ 11,558
Total	\$ 700	\$ 11,334	\$ 12,034

9. Loan payable:

The Property has a non-revolving term credit facility with a Canadian Chartered bank with \$4,810 and \$4,800 drawn as at September 30, 2021 and December 31, 2020, respectively. The undrawn portion of the credit facility was \$113 and \$123, respectively. The credit facility is secured by the investment property and is subject to interest at the bank's prime rate plus 2.13% or, at the Property's option at the time of the advance, at the Canadian Dollar Offered Rate ("CDOR") plus 3.13%. The credit facility will mature in October 2022 and is classified as a non-current liability as at December 31, 2020.

Loan payable includes unamortized deferred financing costs of \$65 and \$109 as at September 30, 2021 and December 31, 2020, respectively. The Property incurred interest expense on loan payable of \$39 (unaudited) and \$127 for the three and nine months ended September 30, 2021 (three and nine months ended September 30, 2020 - \$nil (unaudited) and \$nil (unaudited), respectively, which is included in the finance costs (note 11).

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

9. Loan payable (continued):

The Owner of the Property entered into an interest rate swap agreement on January 20, 2021 to exchange the variable interest rate to a fixed interest rate of 0.489% per annum for the non-revolving term credit facility with a notional amount of \$2,485. This interest rate swap agreement was effective January 29, 2021 and terminates on October 31, 2022.

The Property recorded a fair value gain on derivative financial instruments of \$nil (unaudited) and \$3 for the three and nine months ended September 30, 2021, respectively (three and nine months ended September 30, 2020 - \$nil (unaudited) and \$nil (unaudited)) (note 12).

The fair value of the interest rate swap is considered a Level 2 measurement in the fair value hierarchy (note 19).

10. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	September 30, 2021	December 31, 2020
Tenant prepayments	\$ 81	\$ 69
Operating payables	30	50
Accrued utilities, payroll and other (note 14)	51	26
Accrued asset management fee (note 15)	5	5
	\$ 167	\$ 150

11. Segmented disclosure:

All of the Property's assets and liabilities are in, and its revenues are derived from, the British Columbia real estate industry segment. No single tenant accounts for 10% or more of the Property's rental revenue.

12. Finance costs:

Finance costs consist of the following:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on mortgage and loan payable	\$ 144	\$ 107	\$ 443	\$ 323
Amortization of financing costs	15	—	45	—
Fair value gain on derivative financial instruments (note 9)	—	—	(3)	—
	\$ 159	\$ 107	\$ 485	\$ 323

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

13. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(unaudited)	(unaudited)		(unaudited)
Prepaid expenses and other assets	\$ 6	\$ 10	\$ (9)	\$ (31)
Tenant and other receivables, net	14	1	16	(4)
Accounts payable and accrued liabilities	(50)	(735)	17	11
	\$ (30)	\$ (724)	\$ 24	\$ (24)

14. Property management fees:

The Owner entered into a property management agreement with Devon Properties on October 8, 2020, an unrelated party, for services rendered in connection with the leasing and operations of the Property. Property management fees include the fee for services, which is equal to 3.50% of the gross collections of residential and miscellaneous income from the Property and bonus incentive fees as defined within the management agreement. For the three and nine months ended September 30, 2021 and September 30, 2020, property management fees were incurred in the amount of \$9 (unaudited), \$36, \$14 (unaudited) and \$34 (unaudited), respectively, pursuant to this property management agreement. Property management fees payable as at September 30, 2021 was \$13 (December 31, 2020 - \$4).

Subsequent to September 30, 2021, the Property expects to enter into a new property management agreement with Devon Properties (note 20).

15. Related party transactions:

Starlight Group Property Holdings Inc. ("Starlight") is an entity under common control and management. Starlight was appointed as the manager of the Property on November 2, 2020. As such, Starlight meets the definition of a "related party" as defined in IAS 24 - "Related party disclosures". Starlight receives an asset management fee for managing day to day activities for the Owner.

The asset management fee is calculated and payable on a monthly basis in arrears in cash and is calculated based on 0.2% of the fair market value of the income producing properties as at the end of the period and adjusted on a pro rata basis. The construction management fee is calculated and payable on a monthly basis in arrears in cash and is calculated based on 5.0% of the costs incurred for capital improvements to the common area elements and the upgrades of the suites in the income producing properties.

For the three and nine months ended September 30, 2021 and September 30, 2020, asset management fees were incurred in the amount of \$13 (unaudited), \$40, \$nil (unaudited) and \$nil (unaudited), respectively.

For the three and nine months ended September 30, 2021 and September 30, 2020, construction management fees were incurred in the amount of \$1 (unaudited), \$1, \$nil (unaudited) and \$nil (unaudited), respectively.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

16. Commitments and contingencies:

At the statement of financial position dates, the Property had no commitments for future minimum lease payments under non-cancellable operating leases. All existing leases as of September 30, 2021 expire within 12 months.

The Property may be involved in litigation and claims in relation to the investment property that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Property.

17. Capital management:

The Property's capital consists of mortgage payable and owners' equity, and is funded by the Owners primarily for additions to the investment property and leasing activities, to the extent not available from cash flows from the property's operations. Capital is monitored by management using tools designed to anticipate cash needs and to maintain adequate working capital.

18. Risk management:

In the normal course of business, the Property's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The Property mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and utilizing third party collection agencies for longstanding balances due from tenants.

The Property monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the carve-out statements of net income and comprehensive income.

As at September 30, 2021 and December 31, 2020 the Property had an allowance for uncollectible amounts of \$nil and \$4, respectively.

Bad debts expensed within property operating costs for the three and nine months ended September 30, 2021 were \$nil (unaudited) and \$nil, respectively (three and nine months ended September 30, 2020 - \$2 (unaudited) and \$3 (unaudited)).

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

18. Risk management (continued):

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, such as interest rates. The investment property is subject to the risks associated with debt financing, including the risk that the mortgage will not be refinanced on terms as favourable as those of the existing indebtedness.

As at September 30, 2021, the Property has been reported at fair value which reflects the Property's best estimate of future cash flows and capitalization rates applicable to the investment property. The capitalization rates used in the valuation of the Property includes consideration of comparable sales transactions for similar properties as well as overall changes in the investment market for multi-family properties up to September 30, 2021. The Property continues to monitor and review the potential impact that COVID-19 may have on the future cash flows and capitalization rates applicable to the Property. Subsequent to September 30, 2021, a transaction was entered into for the sale of the Property for \$24,900 (note 20).

The Property utilizes an interest rate swap agreement to manage interest rate risk on its variable rate loan and to minimize the volatility to the Property's net income.

(c) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulties in meeting its financial obligations as they come due. To mitigate the risk associated with liquidity, management's strategy is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

All of the Property's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. The contractual maturity of the mortgage payable is outlined in note 8 and the loan payable matures in October 2022.

(d) Other risk:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Other impacts of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

19. Fair value measurements:

The Property uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings (Level 3).

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

- i. The fair value of the Property's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities and finance cost payable, approximate their carrying amounts due to their short-term nature.
- ii. The fair value of the mortgage payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Property's mortgage payable as at September 30, 2021 and December 31, 2020 approximates carrying value.
- iii. Derivative financial instruments are considered Level 2 financial instruments.

20. Subsequent events:

Subsequent to September 30, 2021, the Owner entered into an agreement to sell the Property to the Starlight Western Canada Multi-Family (No. 2) Fund for a purchase price of \$24,900. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

Carve-out Financial Statements
(In thousands of Canadian dollars)

LANGFORD PROPERTY

As at December 31, 2020 and December 31, 2019 and for the year ended December 31, 2020 and the three-month period from October 1, 2019 (date of acquisition) to December 31, 2019

Independent Auditor's Report

To the Owners of the Langford Property

Opinion

We have audited the carve-out financial statements of the Langford Property (the "Property"), which comprise the carve-out statements of financial position as at December 31, 2020 and 2019, and the carve-out statements of net income (loss) and comprehensive income (loss), changes in owners' equity and cash flows for the year ended December 31, 2020 and the period from October 1, 2019 (date of acquisition) to December 31, 2019, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the Property as at December 31, 2020 and 2019, and its financial performance and its cash flows for the year-ended December 31, 2020 and the period from October 1, 2019 (date of acquisition) to December 31, 2019 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Carve-out Financial Statements* section of our report. We are independent of the Property in accordance with the ethical requirements that are relevant to our audits of the carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the Property's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Property or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Property's financial reporting process.

Auditor's Responsibilities for the Audit of the Carve-out Financial Statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise



professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Property's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Property to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

January 27, 2022

LANGFORD PROPERTY

Carve-out Statements of Financial Position
(In thousands of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets:			
Investment property	4	\$ 24,060	\$ 22,940
Total non-current assets		24,060	22,940
Current assets:			
Tenant and other receivables, net	5	17	—
Prepaid expenses and other assets	6	10	35
Restricted cash	7	70	72
Cash		—	53
Total current assets		97	160
TOTAL ASSETS		\$ 24,157	\$ 23,100
LIABILITIES			
Non-current liabilities:			
Mortgage payable	8	\$ 11,983	\$ 12,185
Loan payable	9	4,691	—
Total non-current liabilities		16,674	12,185
Current liabilities:			
Mortgage payable	8	202	195
Accounts payable and accrued liabilities	10	150	91
Finance costs payable		71	36
Total current liabilities		423	322
TOTAL LIABILITIES		\$ 17,097	\$ 12,507
Owners' equity		7,060	10,593
TOTAL LIABILITIES AND OWNERS' EQUITY		\$ 24,157	\$ 23,100

Commitments and contingencies (note 16).

Subsequent events (note 20).

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY

Carve-out Statements of Net Income (Loss) and Comprehensive Income (Loss)
(In thousands of Canadian dollars)

	Note	Year ended December 31, 2020	Three months ended December 31, 2019
Revenue from property operations	\$	1,096	\$ 273
Expenses:			
Property operating costs		229	35
Property taxes		71	19
Income from rental operations		796	219
Finance costs	12	469	108
Asset management fees	15	8	—
Fair value adjustment on investment property	4	20	480
Net income (loss) and comprehensive income (loss)	\$	299	\$ (369)

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY

Carve-out Statements of Changes in Owners' Equity
(In thousands of Canadian dollars)

For the year ended December 31, 2020 and the three months ended December 31, 2019:

Balance, October 1, 2019	\$	—
Net loss and comprehensive loss		(369)
Contributions from owners		749
Non-cash contributions from owners		10,213
Balance, December 31, 2019	\$	10,593
Net income and comprehensive income		299
Distributions to owners		(3,832)
Balance, December 31, 2020	\$	7,060

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY

Carve-out Statements of Cash Flows
(In thousands of Canadian dollars)

	Note	Year ended December 31, 2020	Three months ended December 31, 2019
Operating activities:			
Net income (loss) and comprehensive income (loss)	\$	299	\$ (369)
Adjustments for financing activities included in net income (loss) and comprehensive income (loss):			
Finance costs	12	469	108
Adjustments for items not involving cash:			
Fair value adjustment on investment property	4	20	480
Change in non-cash operating working capital	13	67	20
Change in restricted cash	7	2	(72)
Cash provided by operating activities		857	167
Financing activities:			
Mortgage principal repayment	8	(195)	(32)
Credit facility drawdowns	9	4,680	—
Finance costs paid	12	(423)	(71)
Contributions from (distributions to) owners		(3,832)	749
Cash provided by financing activities		230	646
Investing activities:			
Capital additions to investment property	4	(1,140)	(760)
Cash used in investing activities		(1,140)	(760)
(Decrease) Increase in cash		(53)	53
Cash, beginning of year / period		53	—
Cash, end of year / period	\$	—	\$ 53

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and three months ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

1. Nature of operations and basis of presentation:

Langford Property (the "Property" or "Langford"), as presented in these carve-out financial statements, is not a legal entity. Since November 2, 2020, the Property and its related assets and liabilities have been owned by Galaxy VA 733 Goldstream Apartments Ltd. ("Galaxy" or the "Owner"). The Property was previously owned by Northview Apartment Real Estate Investment Trust ("Northview", together with Galaxy ("the Owners") since its acquisition on October 1, 2019.

The Property is a mid-rise apartment building, comprising 60 multi-family suites, located at 733 Goldstream Avenue, Victoria BC, V9B 2X4 Canada.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, financial performance, changes in owners' equity and cash flows of the Property as required by Canadian securities regulations for inclusion in the prospectus relating to the public offering of units of Starlight Western Canada Multi-Family (No. 2) Fund (the "Fund").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owner and present the financial position, financial performance, changes in owners' equity and cash flows of the Property since its acquisition on October 1, 2019 by Northview for the periods presented as if the Property had been accounted for on a standalone basis. Management's estimates, when necessary, have been used to prepare such allocations. This Property is part of a corporate group and as a result, these carve-out financial statements depict the owners' equity in net assets, representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

These carve-out financial statements were authorized for issuance by the board of trustees of the Fund on January 27, 2022.

(a) Basis of operations and statement of compliance:

The carve-out financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of the carve-out financial statements.

The carve-out financial statements have been prepared on a historical cost basis except for investment property, which is stated at its fair value.

(b) Functional and presentation currency:

These carve-out financial statements are presented in Canadian dollars, which is the functional currency of the Property and all amounts have been rounded to the nearest thousand except when otherwise indicated.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and three months ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies:

(a) Critical judgments and estimates:

The preparation of carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property:

The estimates used when determining the fair value of the investment property are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing financial information and external market data and capitalization rates provided by independent industry experts.

(b) Investment property:

The Property selected the fair value method to account for real estate classified as investment property under IAS 40, Investment Property ("IAS 40"). A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property includes land and building structures, as well as residential suites situated on the property. The investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is measured at fair value. Gains and losses arising from changes in the fair value are included in the carve-out statement of net income (loss) and comprehensive income (loss) in the period in which they arise.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and three months ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(b) Investment property (continued):

Fair values are primarily determined by using the capitalized net income approach which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts and third party appraisals. Subsequent capital expenditures are added to the carrying value of an investment property only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances held in the Property's bank accounts. Restricted cash can only be used for specified purposes. Tenant security deposits held by the Property are deemed restricted cash.

(d) Revenue recognition:

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases.

Revenue from the investment property includes all rental income earned from the Property, including residential tenant rental income, parking income, and all other incidental income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

(e) Finance costs:

Finance costs consist of interest on the mortgage and loans payable, amortization of financing costs related to the mortgage and loans payable, and fair value changes in the derivative financial instrument.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and three months ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(f) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost and (ii) FVTPL. Financial instruments are recognized initially at fair value.

The following table summarizes the Property's classification and measurement of financial assets and liabilities:

	<u>Classification/Measurement</u>
<u>Financial assets:</u>	
Tenant and other receivables, net	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
<u>Financial liabilities:</u>	
Mortgage payable	Amortized cost
Loan payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance costs payable	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

At each reporting date, the Property assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Property recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and three months ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(g) Income taxes:

The Property, as presented in these carve-out financial statements, is not a legal entity. As such, any income tax liabilities will be reported by the Owner.

(h) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Property has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment considering the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to the passage of time is recognized as a finance cost. The Property has not recorded any provisions as at December 31, 2020, or 2019.

3. Adoption of accounting standards:

Future accounting policy changes:

There were no new standards, interpretations or improvements to existing standards that were issued by the IASB or by the International Financial Reporting Interpretations Committee ("IFRIC") that either have not yet been adopted by the Property or that would have a material impact on the Property's financial condition or financial performance.

4. Investment property:

The following table summarizes the changes in the investment property for the year ended December 31, 2020 and three months ended December 31, 2019:

Balance, October 1, 2019	\$	22,660
Capital additions		760
Fair value adjustment		(480)
Balance, December 31, 2019	\$	22,940
Capital additions		1,140
Fair value adjustment		(20)
Balance, December 31, 2020	\$	24,060

The key valuation assumptions for the Property are set out in the following table:

	December 31, 2020	December 31, 2019
Capitalization rate	3.50 %	3.50 %

The Property determined the fair value of the investment property using the capitalized net income approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and three months ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

4. Investment property (continued):

The fair value of the investment property is sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the investment property as set out in the following table:

Weighted average	Change	December 31, 2020	December 31, 2019
Capitalization rate	10 basis-point increase	\$ (670)	\$ (640)
Capitalization rate	10 basis-point decrease	\$ 710	\$ 670

The impact of a one percent change in the net operating income used to value the investment property as at December 31, 2020 and December 31, 2019 would increase/decrease the fair value by approximately \$240 and \$230, respectively. See Note 18(b) for potential impacts to the fair value as a result of the novel coronavirus ("COVID-19") global pandemic.

The fair value of the Property is considered a Level 3 measurement in the fair value hierarchy due to the extent of assumptions required beyond observable market data to derive the fair values.

5. Tenant and other receivables, net:

The following table presents details of the tenant and other receivables, net balance:

	December 31, 2020	December 31, 2019
Tenant and other receivables, net	\$ 17	\$ —

The Property holds no collateral in respect of tenant and other receivables.

6. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balance:

	December 31, 2020	December 31, 2019
Prepaid insurance	\$ 7	\$ —
Other prepaid expenses	3	35
	\$ 10	\$ 35

7. Restricted cash:

The following table presents details of the restricted cash balance:

	December 31, 2020	December 31, 2019
Restricted cash:		
Security deposits ⁽ⁱ⁾	\$ 70	\$ 72
	\$ 70	\$ 72

- (i) Security deposits relate to funds paid by tenants that are specifically restricted until a tenant exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and three months ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

8. Mortgage payable:

Mortgage payable is secured by the investment property and bears interest at a fixed rate.

Property Name	Payment Terms	Renewal Date	Interest Rate	December 31, 2020	December 31, 2019
Langford Property	Principal + interest	December 1, 2028	3.52%	\$ 12,185	\$ 12,380
Classified as:					
Non-current				\$ 11,983	\$ 12,185
Current				202	195
Total				\$ 12,185	\$ 12,380

The repayment of mortgage principal is payable as follows:

	Principal payments	Balloon payments	Total
2021	\$ 202	\$ —	\$ 202
2022	209	—	209
2023	216	—	216
2024 and thereafter	224	11,334	11,558
Total	\$ 851	\$ 11,334	\$ 12,185

9. Loan payable:

The Property entered into a non-revolving term credit facility with a Canadian Chartered bank in October 2020 with \$4,800 drawn as at December 31, 2020. The undrawn portion of the credit facility was \$123. The credit facility is secured by the investment property and is subject to interest at the bank's prime rate plus 2.13% or, at the Property's option at the time of an advance, at the Canadian Dollar Offered Rate ("CDOR") plus 3.13%. The credit facility will mature in October 2022 and is classified as non-current liability as at December 31, 2020.

Loan payable includes unamortized deferred financing costs of \$109 as at December 31, 2020. During the year ended December 31, 2020, the Property incurred interest expense on loan payable of \$30, which is included in finance costs (note 12).

10. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	December 31, 2020	December 31, 2019
Tenant prepayments	\$ 69	\$ 72
Operating payables	50	7
Accrued utilities, payroll and other (note 14)	26	12
Accrued asset management fee (note 15)	5	—
	\$ 150	\$ 91

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and three months ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

11. Segmented disclosure:

All of the Property's assets and liabilities are in, and its revenues are derived from, the British Columbia real estate industry segment. No single tenant accounts for 10% or more of the Property's rental revenue.

12. Finance costs:

Finance costs consist of the following:

		Year ended December 31, 2020	Three months ended December 31, 2019
Interest on mortgage and loan payable	\$	459	\$ 108
Amortization of financing costs		10	—
	\$	469	\$ 108

13. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

		Year ended December 31, 2020	Three months ended December 31, 2019
Prepaid expenses and other assets		25	9
Tenant and other receivables, net		(17)	—
Accounts payable and accrued liabilities		59	11
	\$	67	\$ 20

14. Property management fees:

The Owner entered into a property management agreement with Devon Properties on October 8, 2020, an unrelated party, for services rendered in connection with the leasing and operations of the Property. Property management fee includes the fees for services, which is equal to 3.50% of the gross collections of residential and miscellaneous income from the Property and bonus incentive fee as defined within the management agreement. For the year ended December 31, 2020 and the three months ended December 31, 2019, property management fees were incurred in the amount of \$45 and \$7, respectively, pursuant to this property management agreement. Property management fee payable as at December 31, 2020 was \$4 (2019 - \$nil).

15. Related party transactions:

Starlight Group Property Holdings Inc. ("Starlight") is an entity under common control and management. Starlight was appointed as the manager of the Property on November 2, 2020. As such, Starlight meets the definition of a "related party" as defined in IAS 24 - "Related party disclosures". Starlight receives an asset management fee for managing day to day activities for the Owner.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and three months ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

15. Related party transactions (continued):

The asset management fee is calculated and payable on a monthly basis in arrears in cash and is calculated based on 0.2% of the fair market value of the income producing properties as at the end of the period and adjusted on a pro rata basis. The construction management fee is calculated and payable on a monthly basis in arrears in cash and is calculated based on 5.0% of the costs incurred for capital improvements to the common area elements and the upgrades of the suites in the income producing properties.

For the year ended December 31, 2020 and the three months ended December 31, 2019, asset management fees were incurred in the amount of \$8 and \$nil, respectively.

For the year ended December 31, 2020 and the three months ended December 31, 2019, construction management fees were incurred in the amount of \$nil and \$nil, respectively.

16. Commitments and contingencies:

At the statement of financial position dates, the Property had no commitments for future minimum lease payments under non-cancellable operating leases. All existing leases as of December 31, 2020 expire within 12 months.

The Property may be involved in litigation and claims in relation to the investment property that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Property.

17. Capital management:

The Property's capital consists of mortgage payable and owners' equity, and is funded by the Owners primarily for additions to the investment property and leasing activities, to the extent not available from cash flows from the property's operations. Capital is monitored by management using tools designed to anticipate cash needs and to maintain adequate working capital.

18. Risk management:

In the normal course of business, the Property's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The Property mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and utilizing third party collection agencies for longstanding balances due from tenants.

The Property monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the carve-out statements of net income (loss) and comprehensive income (loss).

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and three months ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

18. Risk management (continued):

(a) Credit risk (continued):

As at December 31, 2020 and December 31, 2019 the Property had an allowance for uncollectible amounts of \$4 and \$nil, respectively.

Bad debts expensed within property operating costs for the year ended December 31, 2020 and the three months ended December 31, 2019 were \$4 and \$nil, respectively.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, such as interest rates. The investment property is subject to the risks associated with debt financing, including the risk that the mortgage will not be refinanced on terms as favourable as those of the existing indebtedness.

As at December 31, 2020, the Property has been reported at fair value which reflects the Property's best estimate of future cash flows and capitalization rates applicable to the investment property. The capitalization rates used in the valuation of the Property includes consideration of comparable sales transactions for similar properties as well as overall changes in the investment market for multi-family properties up to December 31, 2020. The Property continues to monitor and review the potential impact that COVID-19 may have on the future cash flows and capitalization rates applicable to the Property.

For the year ended December 31, 2020 and the three-month period ended December 31, 2019, an increase or decrease of ten basis points in CDOR would have a negligible impact on net income (loss) and comprehensive income (loss).

(c) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulties in meeting its financial obligations as they come due. To mitigate the risk associated with liquidity, management's strategy is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

All of the Property's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. The contractual maturity of the mortgage payable is outlined in note 8 and the loan payable matures in October 2022.

(d) Other risk:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

LANGFORD PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and three months ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

18. Risk management (continued):

(d) Other risk (continued):

Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Other impacts of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

19. Fair value measurements:

The Property uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings (Level 3).

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

- i. The fair value of the Property's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities and finance cost payable, approximate their carrying amounts due to their short-term nature.
- ii. The fair value of the mortgage payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Property's mortgage payable as at December 31, 2020 and December 31, 2019 approximates carrying value.

20. Subsequent events:

Subsequent to December 31, 2020, the Owner entered into an agreement to sell the Property to Starlight Western Canada Multi-Family (No. 2) Fund for a purchase price of \$24,900. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

Carve-out Financial Statements
(In thousands of Canadian dollars)

RENTAL OPERATIONS OF NANAIMO PROPERTY

As at September 30, 2021 and for the three months ended September 30, 2021 and the eight-month period from February 1, 2021 (commencement of rental operations) to September 30, 2021

Independent Auditor's Report

To the Owners of the Nanaimo Property

Opinion

We have audited the carve-out financial statements of the Rental Operations of the Nanaimo Property (the "Property"), which comprise the carve-out statement of financial position as at September 30, 2021, and the carve-out statements of net income (loss) and comprehensive income (loss), changes in owners' equity and cash flows for the period from February 1, 2021 (commencement of rental operations) to September 30, 2021, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the Property as at September 30, 2021, and its financial performance and its cash flows for period from February 1, 2021 (commencement of rental operations) to September 30, 2021 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Carve-out Financial Statements* section of our report. We are independent of the Property in accordance with the ethical requirements that are relevant to our audit of the carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the Property's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Property or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Property's financial reporting process.

Auditor's Responsibilities for the Audit of the Carve-out Financial Statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise



professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Property's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Property to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
January 27, 2022

RENTAL OPERATIONS OF NANAIMO PROPERTY

Carve-out Statement of Financial Position
(In thousands of Canadian dollars)

	Note	September 30, 2021
ASSETS		
Non-current assets:		
Investment property	4	\$ 105,100
Derivative financial instruments	8	2
Total non-current assets		105,102
Current assets:		
Tenant and other receivables	5	282
Prepaid expenses and other assets	6	64
Restricted cash	7	375
Cash		3,246
Total current assets		3,967
TOTAL ASSETS		\$ 109,069
LIABILITIES		
Non-current liabilities:		
Loans payable	8	\$ 2,897
Total non-current liabilities		2,897
Current liabilities:		
Loans payable	8	46,531
Accounts payable and accrued liabilities	9	2,279
Total current liabilities		48,810
TOTAL LIABILITIES		\$ 51,707
Owners' equity		57,362
TOTAL LIABILITIES AND OWNERS' EQUITY		\$ 109,069

Commitments and contingencies (note 15).

Subsequent events (note 19).

See accompanying notes to the carve-out financial statements.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Carve-out Statements of Net Income (Loss) and Comprehensive Income (Loss)
(In thousands of Canadian dollars)

	Note	Three months ended September 30, 2021 (unaudited)	Eight months ended September 30, 2021
Revenue from property operations		\$ 1,237	\$ 1,893
Expenses:			
Property operating costs		240	412
Property taxes		34	137
Income from rental operations		\$ 963	\$ 1,344
Finance costs	11	267	653
Asset management fees	14	27	60
Professional fees		9	19
Fair value adjustment on investment property	4	(300)	2,086
Net income (loss) and comprehensive income (loss)		\$ 960	\$ (1,474)

See accompanying notes to the carve-out financial statements.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Carve-out Statement of Changes in Owners' Equity
(In thousands of Canadian dollars)

For the eight months ended September 30, 2021:

Balance, February 1, 2021	\$	—
Net loss and comprehensive loss		(1,474)
Non-cash contributions from owners		54,381
Contributions from owners		4,455
Balance, September 30, 2021	\$	57,362

See accompanying notes to the carve-out financial statements.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Carve-out Statements of Cash Flows
(In thousands of Canadian dollars)

	Note	Three months ended September 30, 2021	Eight months ended September 30, 2021
		(unaudited)	
Operating activities:			
Net income (loss) and comprehensive income (loss)		\$ 960	\$ (1,474)
Adjustments for financing activities included in net income (loss) and comprehensive income (loss):			
Finance costs	11	267	653
Adjustments for items not involving cash:			
Fair value adjustment on investment property	4	(300)	2,086
Change in non-cash operating working capital	12	(991)	(2,395)
Change in restricted cash		(105)	(375)
Cash used in operating activities		\$ (169)	\$ (1,505)
Financing activities:			
Draw downs on existing loans	8	316	6,656
Finance costs paid		(236)	(574)
Contributions from owners		—	4,455
Cash provided by financing activities		\$ 80	\$ 10,537
Investing activities:			
Capital additions to investment property	4	—	(5,786)
Cash used in investing activities		—	(5,786)
(Decrease) increase in cash		(89)	3,246
Cash, beginning of period		3,335	—
Cash, end of period		\$ 3,246	\$ 3,246

See accompanying notes to the carve-out financial statements.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Notes to the Carve-out Financial Statements
For the three and eight months ended September 30, 2021
(In thousands of Canadian dollars, unless otherwise noted)

1. Nature of operations and basis of presentation:

The rental operations of Nanaimo Property (the “Property” or “Nanaimo”), as presented in these carve-out financial statements, is not a legal entity. As at September 30, 2021, the Property and its related assets and liabilities were owned by Galaxy VA Linley Valley & Uplands Apartments Ltd. (the “Owner”).

The Property includes 3 mid-rise apartment buildings, comprising 251 multi-family suites, located at 6035 Linley Valley Drive, Nanaimo, BC V9T 4S9 and 4800 Uplands Drive, Nanaimo BC, V9T 5V1 Canada. The Property commenced rental operations and leasing activities on February 1, 2021.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, financial performance, changes in owners' equity and cash flows of the Property as required by Canadian securities regulations for inclusion in the prospectus relating to the public offering of units of Starlight Western Canada Multi-Family (No. 2) Fund (the “Fund”).

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owner and present the financial position, financial performance, changes in owners' equity and cash flows of the Property for the periods presented as if the Property had been accounted for on a standalone basis. Management's estimates, when necessary, have been used to prepare such allocations. This Property is part of a corporate group and as a result, these carve-out financial statements depict the owners' equity in net assets, representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

The financial information of the Property contained in the carve-out statements of financial position, carve-out statements of income (loss) and comprehensive income (loss), changes in owners' equity and cash flows and the notes for the three months ended September 30, 2021 are unaudited.

These carve-out financial statements were authorized for issuance by the board of trustees of the Fund on January 27, 2022.

(a) Basis of operations and statement of compliance:

The interim carve-out financial statements as at September 30, 2021 and for the three and eight months ended September 30, 2021 are presented in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The carve-out financial statements have been prepared on a historical cost basis except for investment property and any derivative financial instruments, which are stated at fair value.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Notes to the Carve-out Financial Statements
For the three and eight months ended September 30, 2021
(In thousands of Canadian dollars, unless otherwise noted)

1. Nature of operations and basis of presentation (continued):

(b) Functional and presentation currency:

These carve-out financial statements are presented in Canadian dollars, which is the functional currency of the Property and all amounts have been rounded to the nearest thousand except when otherwise indicated.

2. Significant accounting policies:

(a) Critical judgments and estimates:

The preparation of carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property:

The estimates used when determining the fair value of the investment property are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing financial information and external market data and capitalization rates provided by independent industry experts.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Notes to the Carve-out Financial Statements
For the three and eight months ended September 30, 2021
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(b) Investment property:

The Property selected the fair value method to account for real estate classified as investment property under IAS 40, Investment Property ("IAS 40"). A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property includes land and building structures, as well as residential suites situated on the property. The investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is measured at fair value. Gains and losses arising from changes in the fair value are included in the carve-out statement of net income (loss) and comprehensive income (loss) in the period in which they arise.

Fair values are primarily determined by using the capitalized net income approach which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts and third party appraisals. Subsequent capital expenditures are added to the carrying value of an investment property only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances held in the Property's bank accounts. Restricted cash can only be used for specified purposes. Tenant security deposits held by the Property are deemed restricted cash.

(d) Revenue recognition:

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases.

Revenue from the investment property includes all rental income earned from the Property, including residential tenant rental income, parking income, and all other incidental income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Notes to the Carve-out Financial Statements
For the three and eight months ended September 30, 2021
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Finance costs:

Finance costs consist of interest on the loans payable, amortization of financing costs related to the loans payable and fair value changes on any derivative financial instruments.

(f) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost and (ii) FVTPL. Financial instruments are recognized initially at fair value.

The following table summarizes the Property's classification and measurement of financial assets and liabilities:

	<u>Classification/Measurement</u>
<u>Financial assets:</u>	
Tenant and other receivables	Amortized cost
Restricted cash	Amortized cost
Derivative financial instruments	FVTPL
Cash	Amortized cost
<u>Financial liabilities:</u>	
Loans payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

At each reporting date, the Property assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Property recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Notes to the Carve-out Financial Statements
For the three and eight months ended September 30, 2021
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(g) Income taxes:

The Property, as presented in these carve-out financial statements, is not a legal entity. As such, any income tax liabilities will be reported by the Owner.

(h) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Property has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment considering the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to the passage of time is recognized as a finance cost. The Property has not recorded any provisions as at September 30, 2021.

3. Adoption of accounting standards:

Future accounting policy changes:

There were no new standards or interpretations and improvements to existing standards that were issued by the IASB or by the International Financial Reporting Interpretations Committee ("IFRIC") that either have not yet been adopted by the Property or that would have a material impact on the Property's financial condition or financial performance.

4. Investment property:

The following table summarizes the changes in the investment property for the eight months ended September 30, 2021:

Balance, February 1, 2021	\$	101,400
Capital additions		5,786
Fair value adjustment		(2,086)
Balance, September 30, 2021	\$	105,100

The key valuation assumptions for the Property are set out in the following table:.

	September 30, 2021
Capitalization rate	4.11 %

The Property determined the fair value of the investment property using the capitalized income approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Notes to the Carve-out Financial Statements
For the three and eight months ended September 30, 2021
(In thousands of Canadian dollars, unless otherwise noted)

4. Investment property (continued):

The fair value of the investment property is sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the investment property as set out in the following table:

Weighted average	Change	September 30, 2021
Capitalization rate	10 basis-point increase	\$ (2,500)
Capitalization rate	10 basis-point decrease	\$ 2,600

The impact of a one percent change in the net operating income used to value the investment property as at September 30, 2021 would increase/decrease the fair value by approximately \$1,100, respectively. See Note 17(d) for potential impacts to the fair value as a result of the novel coronavirus ("COVID-19") global pandemic.

The fair value of the Property is considered a Level 3 measurement in the fair value hierarchy due to the extent of assumptions required beyond observable market data to derive the fair values.

5. Tenant and other receivables:

The following table presents details of the tenant and other receivables balance:

	September 30, 2021
Tenant receivables, net ⁽ⁱ⁾	\$ 32
Construction holdback receivable ⁽ⁱ⁾	250
	\$ 282

(i) The Property holds no collateral in respect of tenant and construction holdback receivable.

6. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balance:

	September 30, 2021
Prepaid insurance	\$ 9
Prepaid property taxes	55
	\$ 64

7. Restricted cash:

The following table presents details of the restricted cash balance:

	September 30, 2021
Restricted cash:	
Security deposits ⁽ⁱ⁾	\$ 375

(i) Security deposits relate to funds paid by tenants that are specifically restricted until a tenant exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Notes to the Carve-out Financial Statements
For the three and eight months ended September 30, 2021
(In thousands of Canadian dollars, unless otherwise noted)

8. Loans payable:

The Property has non-revolving term credit facilities with Canadian Chartered banks with \$2,907 and \$46,531 drawn as at September 30, 2021. The undrawn portion of the credit facilities was \$nil and \$3,637, respectively. The credit facilities are secured by the investment properties. The credit facilities are subject to interest at the bank's prime rate plus 2.13% and the bank's prime rate, respectively at the Property's option at the time of the advance, at the Canadian Dollar Offered Rate ("CDOR") rate plus 3.13% and the CDOR rate plus 1.4%, respectively. The credit facility with an outstanding balance of \$2,907 will mature in October 2022 and is classified as a non-current liability as at September 31, 2021. The credit facility with an outstanding balance of \$46,531 is due on demand and is classified as current liability.

Loans payable of \$2,897 includes unamortized deferred financing costs of \$10 as at September 30, 2021. During the three and eight months ended September 30, 2021, the Property incurred interest expense on loans payable of \$235 (unaudited) and \$572 respectively, which is included in the finance costs (note 11).

The Owner of the Property entered into an interest rate swap agreement on January 20, 2021 to exchange the variable interest rate to a fixed interest rate of 0.489% per annum for the non revolving term credit facility with a notional amount of \$1,505. This interest rate swap agreement was effective January 29, 2021 and terminates on October 31, 2022.

The Property recorded a fair value gain on derivative financial instruments of \$nil (unaudited) and \$2 for the three and eight months ended September 30, 2021.

The fair value of the interest rate swap is considered a Level 2 measurement in the fair value hierarchy (note 18).

9. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	September 30, 2021
Tenant prepayments	\$ 56
Tenant security deposits	400
Operating payables	1,269
Accrued utilities, payroll, other (note 13)	552
Accrued asset management fees (note 14)	2
	<u>\$ 2,279</u>

10. Segmented disclosure:

All of the Property's assets and liabilities are in, and its revenues are derived from, the British Columbia real estate industry segment. No single tenant accounts for 10% or more of the Property's rental revenue.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Notes to the Carve-out Financial Statements
For the three and eight months ended September 30, 2021
(In thousands of Canadian dollars, unless otherwise noted)

11. Finance costs:

Finance costs consist of the following:

	Three months ended September 30, 2021	Eight months ended September 30, 2021
	(unaudited)	
Interest on loans payable	\$ 235	\$ 572
Amortization of financing costs	32	83
Fair value gain on derivative financial instruments	—	(2)
	\$ 267	\$ 653

12. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Three months ended September 30, 2021	Eight months ended September 30, 2021
	(unaudited)	
Prepaid expenses and other assets	\$ 91	\$ (46)
Tenant and other receivables	2,001	709
Accounts payable and accrued liabilities	(3,083)	(3,058)
	\$ (991)	\$ (2,395)

13. Property management fees:

The Owner entered into an amended property management agreement with Devon Properties, effective February 1, 2021, an unrelated party for the services rendered in connection with the leasing and operations of the Property. Property management fees include the fee for services, which is equal to 3.0% of the gross collections of residential income from the Property and bonus incentive fees as defined within the management agreement. For the three and eight months ended September 30, 2021, property management fees were incurred in the amount of \$42 (unaudited) and \$66, respectively, pursuant to this property management agreement. Property management fees payable as at September 30, 2021 was \$29.

Subsequent to September 30, 2021, the Property is expected to enter into a new property management agreement with Devon Properties (note 19).

14. Related party transactions:

Starlight Group Property Holdings Inc. ("Starlight") is an entity under common control and management. Starlight was appointed as the manager of the Property on November 2, 2020. As such, Starlight meets the definition of a "related party" as defined in IAS 24 - "Related party disclosures". Starlight receives an asset management fee for managing day to day activities for the Owner.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Notes to the Carve-out Financial Statements
For the three and eight months ended September 30, 2021
(In thousands of Canadian dollars, unless otherwise noted)

14. Related party transactions (continued):

The asset management fee is calculated and payable on a monthly basis in arrears in cash and is calculated based on 0.2% of the fair market value of the income producing properties as at the end of the period and adjusted on a pro rata basis. The construction management fee is calculated and payable on a monthly basis in arrears in cash and is calculated based on 5.0% of the costs incurred for capital improvements to the common area elements and the upgrades of the suites in the income producing properties.

For the three and eight months ended September 30, 2021, asset management fees were incurred in the amount of \$27 (unaudited) and \$60, respectively.

For the three and eight months ended September 30, 2021, construction management fees were incurred in the amounts of \$1 (unaudited) and \$1, respectively.

15. Commitments and contingencies:

At the statement of financial position date, the Property had no commitments for future minimum lease payments under non-cancellable operating leases. All existing leases as of September 30, 2021 expire within 12 months.

The Property may be involved in litigation and claims in relation to the investment property that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Property.

16. Capital management:

The Property's capital consists of owners' equity, and is funded by the Owners primarily for additions to the investment property and leasing activities, to the extent not available from cash flows from the property's operations. Capital is monitored by management using tools designed to anticipate cash needs and to maintain adequate working capital.

17. Risk management:

In the normal course of business, the Property's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The Property mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and utilizing third party collection agencies for longstanding balances due from tenants.

The Property monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the carve-out statements of net income (loss) and comprehensive income (loss).

RENTAL OPERATIONS OF NANAIMO PROPERTY

Notes to the Carve-out Financial Statements
For the three and eight months ended September 30, 2021
(In thousands of Canadian dollars, unless otherwise noted)

17. Risk management (continued):

(a) Credit risk (continued):

As at September 30, 2021, the property had an allowance for uncollectible amounts of \$46.

Bad debts expensed within property operating costs for the three and eight months ended September 30, 2021 were \$nil (unaudited) and \$46.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, such as interest rates. The investment property is subject to risk of future access to debt financing.

As at September 30, 2021, the Property has been reported at fair value which reflects the Property's best estimate of future cash flows and capitalization rates applicable to the investment property. The capitalization rates used in the valuation of the Property includes consideration of comparable sales transactions for similar properties as well as overall changes in the investment market for multi-family properties up to September 30, 2021. The Property continues to monitor and review the potential impact that COVID-19 may have on the future cash flows and capitalization rates applicable to the Property. Subsequent to September 30, 2021, a transaction was entered into for the sale of the Property for \$105,100 (Note 19).

The Property utilizes an interest rate swap agreement to manage interest rate risk on its variable rate loans and to minimize volatility of the Property's net income (loss).

(c) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulties in meeting its financial obligations as they come due. To mitigate the risk associated with liquidity, management's strategy is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

All of the Property's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms.

(d) Other risk:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Other impacts of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

RENTAL OPERATIONS OF NANAIMO PROPERTY

Notes to the Carve-out Financial Statements
For the three and eight months ended September 30, 2021
(In thousands of Canadian dollars, unless otherwise noted)

18. Fair value measurements:

The Property uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings (Level 3).

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

- i. The fair value of the Property's financial assets, which include tenant and other receivables, prepaid expenses and other assets, restricted cash and cash, as well as financial liabilities, which include accounts payable and accrued liabilities and loans payable, approximate their carrying amounts due to their short-term nature.
- ii. The fair value of the loans payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the loans payable as at September 30, 2021 approximated its carrying value.
- iii. Derivative financial instruments are considered Level 2 financial instruments.

19. Subsequent events:

Subsequent to September 30, 2021, the Owner entered into an agreement to sell the Property to Starlight Western Canada Multi-Family (No. 2) Fund for a purchase price of \$105,100. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.25% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

Carve-out Financial Statements
(In thousands of Canadian dollars)

LANGFORD PROPERTY 2

As at September 30, 2021 and December 31, 2020 and for the three and nine months ended September 30, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Starlight Western Canada Multi-Family (No. 2) Fund

Opinion

We have audited the accompanying carve-out financial statements of 2699 Peatt ("the Property"), a property of Skyline Real Estate Limited Partnership which comprise the carve-out statement of financial position as at September 30, 2021 and December 31, 2020 and the carve-out statements of income and comprehensive income, changes in equity and cash flows for the period ended September 30, 2021 and the year ended December 31, 2020, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the property as at September 30, 2021 and December 31, 2020 and the results of its operations and its cash flows for the period ended September 30, 2021 and the year ended December 31, 2020 in accordance with International Financial Reporting Standards

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Carve-out Financial Statements section of our report. We are independent of the property in accordance with the ethical requirements that are relevant to our audit of the carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 of the carve-out financial statements which describes the basis of accounting. The carve-out financial statements have been prepared for the specific purpose of reporting as required by Canadian Securities regulations for inclusion in the prospectus relating to the offering of units of Starlight Western Canada Multi-Family (No. 2) Fund.

Responsibility of Management and Those Charged with Governance for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the property's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the property or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the property's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the property's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the property's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the property to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Guelph, Ontario
January 27, 2022



Chartered Professional Accountants
Licensed Public Accountants

LANGFORD PROPERTY 2

Carve-out Statements of Financial Position
(In thousands of Canadian dollars)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Non-current assets:			
Investment property	4	\$ 31,110	\$ 25,830
Total non-current assets		31,110	25,830
Current assets:			
Tenant and other receivables, net	5	6	8
Prepaid expenses and other assets	6	38	4
Restricted cash	7	75	57
Cash		557	281
Total current assets		676	350
TOTAL ASSETS	\$	31,786	\$ 26,180
LIABILITIES			
Non-current liabilities:			
Mortgage payable	8	\$ 14,131	\$ 14,376
Total non-current liabilities		14,131	14,376
Current liabilities:			
Mortgage payable	8	318	291
Accounts payable and accrued liabilities	9	135	151
Finance costs payable		47	48
Total current liabilities		500	490
TOTAL LIABILITIES	\$	14,631	\$ 14,866
Owners' equity		17,155	11,314
TOTAL LIABILITIES AND OWNERS' EQUITY	\$	31,786	\$ 26,180

Commitments and contingencies (note 14).

Subsequent events (note 18).

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY 2

Carve-out Statements of Net Income and Comprehensive Income
(In thousands of Canadian dollars)

		Three months ended		Nine months ended	
	Note	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		(unaudited)	(unaudited)		(unaudited)
Revenue from property operations		\$ 410	\$ 375	\$ 1,216	\$ 1,108
Expenses:					
Property operating costs		48	58	211	198
Property taxes		28	37	84	92
Income from rental operations		334	280	921	818
Finance costs	11	145	148	437	447
Asset management fees	13	9	8	27	25
Fair value adjustment on investment property	4	(1,739)	(370)	(5,215)	(1,111)
Net income and comprehensive income		\$ 1,919	\$ 494	\$ 5,672	\$ 1,457

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY 2

Carve-out Statements of Changes in Owners' Equity
(In thousands of Canadian dollars)

For the three months ended September 30, 2021 (unaudited) and September 30, 2020 (unaudited):

Balance, July 1, 2021	\$	15,183
Net income and comprehensive income		1,919
Contributions from owners		53
Balance, September 30, 2021	\$	17,155

Balance, July 1, 2020	\$	10,169
Net income and comprehensive income		494
Contributions from owners		31
Balance, September 30, 2020	\$	10,694

For the nine months ended September 30, 2021 and September 30, 2020 (unaudited):

Balance, January 1, 2021	\$	11,314
Net income and comprehensive income		5,672
Contributions from owners		169
Balance, September 30, 2021	\$	17,155

Balance, January 1, 2020	\$	9,131
Net income and comprehensive income		1,457
Contributions from owners		106
Balance, September 30, 2020	\$	10,694

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY 2

Carve-out Statements of Cash Flows
(In thousands of Canadian dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		(unaudited)	(unaudited)		(unaudited)
Operating activities:					
Net income and comprehensive income		\$ 1,919	\$ 494	\$ 5,672	\$ 1,457
Adjustments for financing activities included in net income and comprehensive income:					
Finance costs	11	145	148	437	447
Adjustments for items not involving cash:					
Fair value adjustment on investment property	4	(1,739)	(370)	(5,215)	(1,111)
Change in non-cash operating working capital	12	18	42	(48)	(56)
Change in restricted cash		(18)	(2)	(18)	4
Cash provided by operating activities		325	312	828	741
Financing activities:					
Mortgage principal repayment	8	(78)	(75)	(230)	(222)
Finance costs paid	11	(141)	(144)	(426)	(434)
Contributions from owners		53	31	169	106
Cash used in financing activities		(166)	(188)	(487)	(550)
Investing activities:					
Capital additions to investment property	4	(43)	(49)	(65)	(96)
Cash used in investing activities		(43)	(49)	(65)	(96)
Increase in cash		116	75	276	95
Cash, beginning of period		441	80	281	60
Cash, end of period		\$ 557	\$ 155	\$ 557	\$ 155

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

1. Nature of operations and basis of presentation:

Langford Property 2 (the "Property" or "Langford 2"), as presented in these carve-out financial statements, is not a legal entity. As at September 30, 2021, the Property and its related assets and liabilities were owned by Skyline Real Estate Limited Partnership ("RELP") through a bare trustee company, 9748954 Canada Inc. (the "Owner").

The Property is a mid-rise apartment building, comprising 81 multi-family suites, located at 2699 Peatt Road, Langford, BC, V9B 3V2 Canada.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, financial performance, changes in owners' equity and cash flows of the Property as required by Canadian securities regulations for inclusion in the prospectus relating to the public offering of units of Starlight Western Canada Multi-Family (No. 2) Fund (the "Fund").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owner and present the financial position, financial performance, changes in owners' equity and cash flows of the Property for the periods presented as if the Property had been accounted for on a standalone basis. Management's estimates, when necessary, have been used to prepare such allocations. This Property is part of a corporate group and as a result, these carve-out financial statements depict the owners' equity in net assets representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

The financial information of the Property contained in the carve-out statements of financial position, carve-out statements of income and comprehensive income, changes in owners' equity and cash flows and the notes for the three months ended September 30, 2021 and September 30, 2020 and the nine months ended September 30, 2020 are unaudited.

These carve-out financial statements were authorized for issuance by the board of trustees of the Fund on January 27, 2022.

(a) Basis of operations and statement of compliance:

The carve-out financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of the carve-out financial statements.

The carve-out financial statements have been prepared on a historical cost basis except for investment property, which is stated at fair value.

(b) Functional and presentation currency:

These carve-out financial statements are presented in Canadian dollars, which is the functional currency of the Property and all amounts have been rounded to the nearest thousand except when otherwise indicated.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies:

(a) Critical judgments and estimates:

The preparation of carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property:

The estimates used when determining the fair value of the investment property are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing financial information and external market data and capitalization rates provided by independent industry experts.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(b) Investment property:

The Property selected the fair value method to account for real estate classified as investment property under IAS 40, Investment Property ("IAS 40"). A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property includes land and building structures, as well as residential suites situated on the property. The investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is measured at fair value. Gains and losses arising from changes in the fair value are included in the carve-out statements of net income and comprehensive income in the period in which they arise.

Fair values are primarily determined by using the capitalized net income approach which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts and third party appraisals. Subsequent capital expenditures are added to the carrying value of an investment property only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances attributable to the property held in RELP's bank accounts. Restricted cash can only be used for specified purposes. Tenant security deposits held by the Property are deemed restricted cash.

(d) Revenue recognition:

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases.

Revenue from the investment property includes all rental income earned from the Property, including residential tenant rental income, parking income, and all other incidental income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Finance costs:

Finance costs consist of interest on the mortgage payable and amortization of financing costs related to the mortgage payable.

(f) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost; and (ii) FVTPL. Financial instruments are recognized initially at fair value.

The following table summarizes the Property's classification and measurement of financial assets and liabilities:

	<u>Classification/Measurement</u>
<u>Financial assets:</u>	
Tenant and other receivables, net	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
<u>Financial liabilities:</u>	
Mortgage payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance costs payable	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

At each reporting date, the Property assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Property recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(g) Income taxes:

The Property, as presented in these carve-out financial statements, is not a legal entity. As such, any income tax liabilities will be reported by the Owner.

3. Adoption of accounting standards:

Future accounting policy changes:

There were no new standards, interpretations or improvements to existing standards that were issued by the IASB or by the International Financial Reporting Interpretations Committee ("IFRIC") that either have not yet been adopted by the Property or that would have a material impact on the Property's financial condition or financial performance.

4. Investment property:

The following table summarizes the changes in the investment property for the nine months ended September 30, 2021 and year ended December 31, 2020:

Balance, January 1, 2020	\$	24,200
Capital additions		148
Fair value adjustment		1,482
Balance, December 31, 2020	\$	25,830
Capital additions		65
Fair value adjustment		5,215
Balance, September 30, 2021	\$	31,110

The key valuation assumptions for the Property are set out in the following table:

	September 30, 2021	December 31, 2020
Capitalization rate	3.75 %	4.75 %

The Property determined the fair value of the investment property using the capitalized net income approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair value of the investment property is sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the investment property as set out in the following table:

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

4. Investment property (continued):

Weighted average	Change	September 30, 2021	December 31, 2020
Capitalization rate	10 basis-point increase	\$ (600)	\$ (320)
Capitalization rate	10 basis-point decrease	\$ 700	\$ 330

The impact of a one percent change in the net operating income used to value the investment property as at September 30, 2021 and December 31, 2020 would increase/decrease the fair value by approximately \$300 and \$150, respectively. See note 16(d) for potential impacts to the fair value as a result of the novel coronavirus ("COVID-19") global pandemic.

The fair value of the Property is considered a Level 3 measurement in the fair value hierarchy due to the extent of assumptions required beyond observable market data to derive the fair values.

5. Tenant and other receivables, net:

The following table presents details of the tenant and other receivables, net balance:

	September 30, 2021	December 31, 2020
Tenant and other receivables, net	\$ 6	\$ 8

The Property holds no collateral in respect of tenant and other receivables.

6. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balance:

	September 30, 2021	December 31, 2020
Prepaid insurance	\$ 6	\$ —
Other prepaid expenses	28	—
Other assets	4	4
	\$ 38	\$ 4

7. Restricted cash:

The following table presents details of the restricted cash balance:

	September 30, 2021	December 31, 2020
Restricted cash:		
Security deposits ⁽ⁱ⁾	\$ 75	\$ 57

- (i) Security deposits relate to funds paid by tenants that are specifically restricted until a tenant exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

8. Mortgage payable:

Mortgage payable is secured by the investment property and bears interest at a fixed rate.

Property Name	Payment Terms	Renewal Date	Interest Rate	September 30, 2021	December 31, 2020
Langford Property 2	Principal + interest	April 30, 2025	3.91%	\$ 14,501	\$ 14,732
Less: Deferred financing costs				(52)	(65)
Carrying value				\$ 14,449	\$ 14,667
Classified as:					
Non-current				\$ 14,131	\$ 14,376
Current				318	291
Total				\$ 14,449	\$ 14,667

The Property's repayment of mortgage principal is payable as follows:

	Principal payments	Balloon payments	Total
2021 - remainder of the year	\$ 73	\$ —	\$ 73
2022	303	—	303
2023	316	—	316
2024 and thereafter	336	\$ 13,421	\$ 13,757
Total	\$ 1,028	\$ 13,421	\$ 14,449

9. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	September 30, 2021	December 31, 2020
Tenant prepayments	\$ 92	\$ 95
Operating payables	14	6
Accrued utilities, payroll and other	29	50
	\$ 135	\$ 151

10. Segmented disclosure:

All of the Property's assets and liabilities are in, and its revenues are derived from, the British Columbia real estate industry segment. No single tenant accounts for 10% or more of the Property's rental revenue.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

11. Finance costs:

Finance costs consist of the following:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on mortgage payable	\$ 141	\$ 144	\$ 425	\$ 433
Amortization of financing costs	4	4	12	14
	\$ 145	\$ 148	\$ 437	\$ 447

12. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Prepaid expenses and other assets	\$ 37	\$ 47	\$ (34)	\$ (39)
Tenant and other receivables, net	4	1	2	(3)
Accounts payable and accrued liabilities	(23)	(6)	(16)	(14)
	\$ 18	\$ 42	\$ (48)	\$ (56)

13. Related party transactions:

Skyline Asset Management Inc. ("Skyline") is an entity under common control and management. Skyline was appointed as the manager of the Property. As such, Skyline meets the definition of a "related party" as defined in IAS 24 - "Related party disclosures". Skyline receives an asset management fee for managing day to day activities for the Owner.

The asset management fee is calculated and payable on a monthly basis in arrears in cash and is calculated based on 2% of adjusted gross revenue.

For the three and nine months ended September 30, 2021 and September 30, 2020, asset management fees were incurred in the amount of \$9 (unaudited), \$27, \$8 (unaudited) and \$25 (unaudited), respectively.

14. Commitments and contingencies:

At the statement of financial position dates, the Property had no commitments for future minimum lease payments under non-cancellable operating leases. All existing leases as of September 30, 2021 expire within 12 months.

The Property may be involved in litigation and claims in relation to the investment property that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Property.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

15. Capital management:

The Property's capital consists of mortgage payable and owners' equity, and is funded by the Owners primarily for additions to the investment property and leasing activities, to the extent not available from cash flows from the property's operations. Capital is monitored by management using tools designed to anticipate cash needs and to maintain adequate working capital.

16. Risk management:

In the normal course of business, the Property's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The Property mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and utilizing third party collection agencies for longstanding balances due from tenants.

The Property monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the carve-out statements of net income and comprehensive income.

As at September 30, 2021 and December 31, 2020 the Property had an allowance for uncollectible amounts of \$6 and \$1, respectively.

Bad debts expensed within property operating costs for the three and nine months ended September 30, 2021 were \$6 (unaudited) and \$5, respectively (three and nine months ended September 30, 2020 - \$1 (unaudited) and \$2 (unaudited)).

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, such as interest rates. The investment property is subject to the risks associated with debt financing, including the risk that the mortgage will not be refinanced on terms as favourable as those of the existing indebtedness.

As at September 30, 2021, the Property has been reported at fair value which reflects the Property's best estimate of future cash flows and capitalization rates applicable to the investment property. The capitalization rates used in the valuation of the Property includes consideration of comparable sales transactions for similar properties as well as overall changes in the investment market for multi-family properties up to September 30, 2021. The Property continues to monitor and review the potential impact that COVID-19 may have on the future cash flows and capitalization rates applicable to the Property. Subsequent to September 30, 2021, a transaction was entered into for the sale of the Property for \$32,900 (note 18).

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

16. Risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulties in meeting its financial obligations as they come due. To mitigate the risk associated with liquidity, management's strategy is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

All of the Property's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. The contractual maturity of the mortgage payable is outlined in note 8.

(d) Other risk:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Other impacts of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

17. Fair value measurements:

The Property uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings (Level 3).

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

17. Fair value measurements (continued):

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

- i. The fair value of the Property's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities and finance cost payable, approximate their carrying amounts due to their short-term nature.
- ii. The fair value of the mortgage payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Property's mortgage payable as at September 30, 2021 approximates carrying value. The fair value of the Property's mortgage payable as at December 31, 2020 was \$15,691.

18. Subsequent events:

Subsequent to September 30, 2021, the Owner entered into an agreement to sell the Property to the Starlight Western Canada Multi-Family (No. 2) Fund for a purchase price of \$32,900. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

Carve-out Financial Statements
(In thousands of Canadian dollars)

LANGFORD PROPERTY 2

As at December 31, 2020 and December 31, 2019 and for the year ended
December 31, 2020 and period ended December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Starlight Western Canada Multi-Family (No. 2) Fund

Opinion

We have audited the accompanying carve-out financial statements of 2699 Peatt ("the Property"), a property of Skyline Real Estate Limited Partnership which comprise the carve-out statement of financial position as at December 31, 2020 and December 31, 2019 and the carve-out statements of income and comprehensive income, changes in equity and cash flows for the year ended December 31, 2020 and the period from September 12, 2019 to December 31, 2019, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the property as at December 31, 2020 and December 31, 2019 and the results of its operations and its cash flows for the year ended December 31, 2020 and the period from September 12, 2019 to December 31, 2019 in accordance with International Financial Reporting Standards

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Carve-out Financial Statements section of our report. We are independent of the property in accordance with the ethical requirements that are relevant to our audit of the carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 of the carve-out financial statements which describes the basis of accounting. The carve-out financial statements have been prepared for the specific purpose of reporting as required by Canadian Securities regulations for inclusion in the prospectus relating to the offering of units of Starlight Western Canada Multi-Family (No. 2) Fund.

Responsibility of Management and Those Charged with Governance for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the property's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the property or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the property's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the property's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the property's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the property to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Guelph, Ontario
January 27, 2022



Chartered Professional Accountants
Licensed Public Accountants

LANGFORD PROPERTY 2

Carve-out Statements of Financial Position
(In thousands of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets:			
Investment property	4	\$ 25,830	\$ 24,200
Total non-current assets		25,830	24,200
Current assets:			
Tenant and other receivables, net	5	8	3
Prepaid expenses and other assets	6	4	4
Restricted cash	7	57	77
Cash		281	60
Total current assets		350	144
TOTAL ASSETS		\$ 26,180	\$ 24,344
LIABILITIES			
Non-current liabilities:			
Mortgage payable	8	\$ 14,376	\$ 14,667
Total non-current liabilities		14,376	14,667
Current liabilities:			
Mortgage payable	8	291	280
Accounts payable and accrued liabilities	9	151	125
Finance costs payable		48	49
Total current liabilities		490	454
TOTAL LIABILITIES		\$ 14,866	\$ 15,121
Owners' equity		11,314	9,223
TOTAL LIABILITIES AND OWNERS' EQUITY		\$ 26,180	\$ 24,344

Commitments and contingencies (note 14).

Subsequent events (note 18).

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY 2

Carve-out Statements of Net Income and Comprehensive Income
(In thousands of Canadian dollars)

	Note	Year ended December 31, 2020	Period ended December 31, 2019
Revenue from property operations	\$	1,496	\$ 465
Expenses:			
Property operating costs		263	80
Property taxes		122	33
Income from rental operations		1,111	352
Finance costs	11	595	179
Asset management fees	13	33	10
Fair value adjustment on investment property	4	(1,482)	57
Net income and comprehensive income	\$	1,965	\$ 106

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY 2

Carve-out Statements of Changes in Owners' Equity
(In thousands of Canadian dollars)

For the year ended December 31, 2020 and period ended December 31, 2019:

Balance, September 12, 2019	\$	—
Net income and comprehensive income		106
Contributions from owners		9,117
Balance, January 1, 2020	\$	9,223
Net income and comprehensive income		1,965
Contributions from owners		126
Balance, December 31, 2020	\$	11,314

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY 2

Carve-out Statements of Cash Flows
(In thousands of Canadian dollars)

	Note	Year ended December 31, 2020	Period ended December 31, 2019
Operating activities:			
Net income and comprehensive income	\$	1,965	\$ 106
Adjustments for financing activities included in net income and comprehensive income:			
Finance costs	11	595	179
Adjustments for items not involving cash:			
Fair value adjustment on investment property	4	(1,482)	57
Change in non-cash operating working capital	12	21	118
Change in restricted cash		20	(77)
Cash provided by operating activities		1,119	383
Financing activities:			
Mortgage principal (repayment) proceeds	8	(298)	14,945
Finance costs paid	11	(578)	(128)
Contributions from owners		126	9,117
Cash (used in) provided by financing activities		(750)	23,934
Investing activities:			
Capital additions to investment property	4	(148)	(24,257)
Cash used in investing activity		(148)	(24,257)
Increase in cash		221	60
Cash, beginning of period		60	—
Cash, end of period	\$	281	\$ 60

See accompanying notes to the carve-out financial statements.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements

For the year ended December 31, 2020 and period ended December 31, 2019

(In thousands of Canadian dollars, unless otherwise noted)

1. Nature of operations and basis of presentation:

Langford Property 2 (the “Property” or “Langford 2”), as presented in these carve-out financial statements, is not a legal entity. As at December 31, 2020, the Property and its related assets and liabilities were owned by Skyline Real Estate Limited Partnership (“RELP”) through a bare trustee company, 9748954 Canada Inc. (the “Owner”).

The Property is a mid-rise apartment building, comprising 81 multi-family suites, located at 2699 Peatt Road, Langford, BC, V9B 3V2 Canada.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, financial performance, changes in owners’ equity and cash flows of the Property as required by Canadian securities regulations for inclusion in the prospectus relating to the public offering of units of Starlight Western Canada Multi-Family (No. 2) Fund (the “Fund”).

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owner and present the financial position, financial performance, changes in owners’ equity and cash flows of the Property for the periods presented as if the Property had been accounted for on a standalone basis. Management’s estimates, when necessary, have been used to prepare such allocations. This Property is part of a corporate group and as a result, these carve-out financial statements depict the owners’ equity in net assets representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

These carve-out financial statements were authorized for issuance by the board of trustees of the Fund on January 27, 2022.

(a) Basis of operations and statement of compliance:

The carve-out financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of the carve-out financial statements. The carve-out financial statements have been prepared on a historical cost basis except for investment property, which is stated at fair value.

(b) Functional and presentation currency:

These carve-out financial statements are presented in Canadian dollars, which is the functional currency of the Property and all amounts have been rounded to the nearest thousand except when otherwise indicated.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements

For the year ended December 31, 2020 and period ended December 31, 2019

(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies:

(a) Critical judgments and estimates:

The preparation of carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property:

The estimates used when determining the fair value of the investment property are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing financial information and external market data and capitalization rates provided by independent industry experts.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements

For the year ended December 31, 2020 and period ended December 31, 2019

(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(b) Investment property:

The Property selected the fair value method to account for real estate classified as investment property under IAS 40, Investment Property ("IAS 40"). A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property includes land and building structures, as well as residential suites situated on the property. The investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is measured at fair value. Gains and losses arising from changes in the fair value are included in the carve-out statements of net income and comprehensive income in the period in which they arise.

Fair values are primarily determined by using the capitalized net income approach which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts and third party appraisals. Subsequent capital expenditures are added to the carrying value of an investment property only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances attributable to the property held in RELP's bank accounts. Restricted cash can only be used for specified purposes. Tenant security deposits held by the Property are deemed restricted cash.

(d) Revenue recognition:

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases.

Revenue from the investment property includes all rental income earned from the Property, including residential tenant rental income, parking income, and all other incidental income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements

For the year ended December 31, 2020 and period ended December 31, 2019

(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Finance costs:

Finance costs consist of interest on the mortgage payable and amortization of financing costs related to the mortgage payable.

(f) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost; and (ii) FVTPL. Financial instruments are recognized initially at fair value.

The following table summarizes the Property's classification and measurement of financial assets and liabilities:

	Classification/Measurement
Financial assets:	
Tenant and other receivables, net	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Financial liabilities:	
Mortgage payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance costs payable	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

At each reporting date, the Property assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Property recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements

For the year ended December 31, 2020 and period ended December 31, 2019

(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(g) Income taxes:

The Property, as presented in these carve-out financial statements, is not a legal entity. As such, any income tax liabilities will be reported by the Owner.

3. Adoption of accounting standards:

Future accounting policy changes:

There were no new standards, interpretations or improvements to existing standards that were issued by the IASB or by the International Financial Reporting Interpretations Committee ("IFRIC") that either have not yet been adopted by the Property or that would have a material impact on the Property's financial condition or financial performance.

4. Investment property:

The following table summarizes the changes in the investment property for the year ended December 31, 2020 and period ended December 31, 2019:

Balance, September 12, 2019	\$	—
Capital additions		24,257
Fair value adjustment		(57)
Balance, December 31, 2019	\$	24,200
Capital additions		148
Fair value adjustment		1,482
Balance, December 31, 2020	\$	25,830

The key valuation assumptions for the Property are set out in the following table:

	December 31, 2020	December 31, 2019
Capitalization rate	4.75 %	4.70 %

The Property determined the fair value of the investment property using the capitalized net income approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair value of the investment property is sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the investment property as set out in the following table:

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements

For the year ended December 31, 2020 and period ended December 31, 2019

(In thousands of Canadian dollars, unless otherwise noted)

4. Investment property (continued):

Weighted average	Change	December 31, 2020	December 31, 2019
Capitalization rate	10 basis-point increase	\$ (320)	\$ (290)
Capitalization rate	10 basis-point decrease	\$ 330	\$ 300

The impact of a one percent change in the net operating income used to value the investment property as at December 31, 2020 and December 31, 2019 would increase/decrease the fair value by approximately \$150 and \$140, respectively. See note 16(d) for potential impacts to the fair value as a result of the novel coronavirus ("COVID-19") global pandemic.

The fair value of the Property is considered a Level 3 measurement in the fair value hierarchy due to the extent of assumptions required beyond observable market data to derive the fair values.

5. Tenant and other receivables, net:

The following table presents details of the tenant and other receivables, net balance:

	December 31, 2020	December 31, 2019
Tenant and other receivables, net	\$ 8	\$ 3

The Property holds no collateral in respect of tenant and other receivables.

6. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balance:

	December 31, 2020	December 31, 2019
Prepaid expenses and other assets	4	4

7. Restricted cash:

The following table presents details of the restricted cash balance:

	December 31, 2020	December 31, 2019
Restricted cash:		
Security deposits ⁽ⁱ⁾	\$ 57	\$ 77

- (i) Security deposits relate to funds paid by tenants that are specifically restricted until a tenant exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements

For the year ended December 31, 2020 and period ended December 31, 2019

(In thousands of Canadian dollars, unless otherwise noted)

8. Mortgage payable:

Mortgage payable is secured by the investment property and bears interest at a fixed rate.

Property Name	Payment Terms	Renewal Date	Interest Rate	December 31, 2020	December 31, 2019
Langford Property 2	Principal + interest	April 30, 2025	3.91%	\$ 14,732	\$ 15,029
Less: Deferred financing costs				(65)	(82)
Carrying value				\$ 14,667	\$ 14,947
Classified as:					
Non-current				\$ 14,376	\$ 14,667
Current				291	280
Total				\$ 14,667	\$ 14,947

The Property's repayment of mortgage principal is payable as follows:

	Principal payments	Balloon payments	Total
2021	\$ 291	\$ —	\$ 291
2022	303	—	303
2023	316	—	316
2024 and thereafter	336	\$ 13,421	\$ 13,757
Total	\$ 1,246	\$ 13,421	\$ 14,667

9. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	December 31, 2020	December 31, 2019
Tenant prepayments	\$ 95	\$ 91
Operating payables	6	18
Accrued utilities, payroll and other	50	16
	\$ 151	\$ 125

10. Segmented disclosure:

All of the Property's assets and liabilities are in, and its revenues are derived from, the British Columbia real estate industry segment. No single tenant accounts for 10% or more of the Property's rental revenue.

11. Finance costs:

Finance costs consist of the following:

	Year ended December 31, 2020	Period ended December 31, 2019
Interest on mortgage payable	\$ 577	\$ 177
Amortization of financing costs	18	2
	\$ 595	\$ 179

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements

For the year ended December 31, 2020 and period ended December 31, 2019

(In thousands of Canadian dollars, unless otherwise noted)

12. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Year ended December 31, 2020	Period ended December 31, 2019
Prepaid expenses and other assets	—	(4)
Tenant and other receivables, net	(5)	(3)
Accounts payable and accrued liabilities	26	125
	\$ 21	\$ 118

13. Related party transactions:

Skyline Asset Management Inc. ("Skyline") is an entity under common control and management. Skyline was appointed as the manager of the Property. As such, Skyline meets the definition of a "related party" as defined in IAS 24 - "Related party disclosures". Skyline receives an asset management fee for managing day to day activities for the Owner.

The asset management fee is calculated and payable on a monthly basis in arrears in cash and is calculated based on 2% of adjusted gross revenue.

For the year ended December 31, 2020 and period ended December 31, 2019, asset management fees were incurred in the amount of \$33 and \$10, respectively.

14. Commitments and contingencies:

At the statement of financial position dates, the Property had no commitments for future minimum lease payments under non-cancellable operating leases. All existing leases as of December 31, 2020 expire within 12 months.

The Property may be involved in litigation and claims in relation to the investment property that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Property.

15. Capital management:

The Property's capital consists of mortgage payable and owners' equity, and is funded by the Owners primarily for additions to the investment property and leasing activities, to the extent not available from cash flows from the property's operations. Capital is monitored by management using tools designed to anticipate cash needs and to maintain adequate working capital.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements

For the year ended December 31, 2020 and period ended December 31, 2019

(In thousands of Canadian dollars, unless otherwise noted)

16. Risk management:

In the normal course of business, the Property's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The Property mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and utilizing third party collection agencies for longstanding balances due from tenants.

The Property monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the carve-out statements of net income and comprehensive income.

As at December 31, 2020 and December 31, 2019 the Property had an allowance for uncollectible amounts of \$1 and \$nil, respectively.

Bad debts expensed within property operating costs for the year ended December 31, 2020 and period ended December 31, 2019 were \$2 and \$nil, respectively.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, such as interest rates. The investment property is subject to the risks associated with debt financing, including the risk that the mortgage will not be refinanced on terms as favourable as those of the existing indebtedness.

As at December 31, 2020, the Property has been reported at fair value which reflects the Property's best estimate of future cash flows and capitalization rates applicable to the investment property. The capitalization rates used in the valuation of the Property include consideration of comparable sales transactions for similar properties as well as overall changes in the investment market for multi-family properties up to December 31, 2020. The Property continues to monitor and review the potential impact that COVID-19 may have on the future cash flows and capitalization rates applicable to the Property. Subsequent to December 31, 2020, a transaction was entered into for the sale of the Property for \$32,900 (note 18).

(c) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulties in meeting its financial obligations as they come due. To mitigate the risk associated with liquidity, management's strategy is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements

For the year ended December 31, 2020 and period ended December 31, 2019

(In thousands of Canadian dollars, unless otherwise noted)

16. Risk management (continued):

(c) Liquidity risk (continued):

All of the Property's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. The contractual maturity of the mortgage payable is outlined in note 8.

(d) Other risk:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Other impacts of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

17. Fair value measurements:

The Property uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings (Level 3).

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

- i. The fair value of the Property's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities and finance cost payable, approximate their carrying amounts due to their short-term nature.
- ii. The fair value of the mortgage payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Property's mortgage payable as at December 31, 2020 and December 31, 2019 is \$15,691 and \$15,686, respectively.

LANGFORD PROPERTY 2

Notes to the Carve-out Financial Statements

For the year ended December 31, 2020 and period ended December 31, 2019

(In thousands of Canadian dollars, unless otherwise noted)

18. Subsequent events:

Subsequent to December 31, 2020, the Owner entered into an agreement to sell the Property to the Starlight Western Canada Multi-Family (No. 2) Fund for a purchase price of \$32,900. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

Carve-out Financial Statements
(In thousands of Canadian dollars)

VERNON PROPERTY

As at September 30, 2021 and December 31, 2020 and for the three and nine months ended September 30, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Starlight Western Canada Multi-Family (No. 2) Fund

Opinion

We have audited the accompanying carve-out financial statements of Centennial 3400 ("the Property"), a property of Skyline Real Estate Limited Partnership which comprise the carve-out statements of financial position as at September 30, 2021 and December 31, 2020 and the carve-out statements of income and comprehensive income, changes in equity and cash flows for the period ended September 30, 2021 and the year ended December 31, 2020, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the property as at September 30, 2021 and December 31, 2020 and the results of its operations and its cash flows for the period ended September 30, 2021 and the year ended December 31, 2020 in accordance with International Financial Reporting Standards

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Carve-out Financial Statements section of our report. We are independent of the property in accordance with the ethical requirements that are relevant to our audit of the carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 of the carve-out financial statements which describes the basis of accounting. The carve-out financial statements have been prepared for the specific purpose of reporting as required by Canadian Securities regulations for inclusion in the prospectus relating to the offering of units of Starlight Western Canada Multi-Family (No. 2) Fund.

Responsibility of Management and Those Charged with Governance for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the property's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the property or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the property's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the property's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the property's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the property to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Guelph, Ontario
January 27, 2022



Chartered Professional Accountants
Licensed Public Accountants

VERNON PROPERTY

Carve-out Statements of Financial Position
(In thousands of Canadian dollars)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Non-current assets:			
Investment property	4	\$ 17,471	\$ 15,160
Total non-current assets		17,471	15,160
Current assets:			
Tenant and other receivables, net	5	6	4
Prepaid expenses and other assets	6	39	22
Restricted cash	7	44	42
Cash		157	58
Total current assets		246	126
TOTAL ASSETS		\$ 17,717	\$ 15,286
LIABILITIES			
Non-current liabilities:			
Mortgage payable	8	\$ 9,107	\$ 9,253
Total non-current liabilities		9,107	9,253
Current liabilities:			
Mortgage payable	8	195	188
Accounts payable and accrued liabilities	9	151	140
Finance costs payable		25	27
Total current liabilities		371	355
TOTAL LIABILITIES		\$ 9,478	\$ 9,608
Owners' equity		8,239	5,678
TOTAL LIABILITIES AND OWNERS' EQUITY		\$ 17,717	\$ 15,286

Commitments and contingencies (note 14).

Subsequent events (note 18).

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY

Carve-out Statements of Net Income and Comprehensive Income
(In thousands of Canadian dollars)

		Three months ended		Nine months ended	
	Note	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		(unaudited)	(unaudited)		(unaudited)
Revenue from property operations		\$ 278	\$ 245	\$ 834	\$ 739
Expenses:					
Property operating costs		66	77	209	215
Property taxes		20	25	59	45
Income from rental operations		192	143	566	479
Finance costs	11	82	83	243	251
Asset management fees	13	6	6	19	17
Fair value adjustment on investment property	4	(758)	(398)	(2,277)	(1,194)
Net income and comprehensive income		\$ 862	\$ 452	\$ 2,581	\$ 1,405

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY

Carve-out Statements of Changes in Owners' Equity
(In thousands of Canadian dollars)

For the three months ended September 30, 2021 (unaudited) and September 30, 2020 (unaudited):

Balance, July 1, 2021	\$	7,372
Net income and comprehensive income		862
Contributions from owners		5
Balance, September 30, 2021	\$	8,239

Balance, July 1, 2020	\$	5,075
Net income and comprehensive income		452
Contributions from owners		9
Balance, September 30, 2020	\$	5,536

For the nine months ended September 30, 2021 and September 30, 2020 (unaudited):

Balance, January 1, 2021	\$	5,678
Net income and comprehensive income		2,581
Distributions to owners		(20)
Balance, September 30, 2021	\$	8,239

Balance, January 1, 2020	\$	4,183
Net income and comprehensive income		1,405
Distributions to owners		(52)
Balance, September 30, 2020	\$	5,536

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY

Carve-out Statements of Cash Flows
(In thousands of Canadian dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		(unaudited)	(unaudited)		(unaudited)
Operating activities:					
Net income and comprehensive income		\$ 862	\$ 452	\$ 2,581	\$ 1,405
Adjustments for financing activities included in net income and comprehensive income:					
Finance costs	11	82	83	243	251
Adjustments for items not involving cash:					
Fair value adjustment on investment property	4	(758)	(398)	(2,277)	(1,194)
Change in non-cash operating working capital	12	9	(32)	(6)	(10)
Change in restricted cash	7	(1)	(4)	(2)	15
Cash provided by operating activities		194	101	539	467
Financing activities:					
Mortgage principal repayment	8	(49)	(48)	(150)	(145)
Finance costs paid	11	(78)	(80)	(236)	(239)
Contributions from (distributions to) owners		5	9	(20)	(52)
Cash used in financing activities		(122)	(119)	(406)	(436)
Investing activities:					
Capital additions to investment property	4	(8)	(18)	(34)	(49)
Cash used in investing activities		(8)	(18)	(34)	(49)
Increase (decrease) in cash		64	(36)	99	(18)
Cash, beginning of period		93	119	58	101
Cash, end of period		\$ 157	\$ 83	\$ 157	\$ 83

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

1. Nature of operations and basis of presentation:

Vernon Property (the "Property" or "Vernon"), as presented in these carve-out financial statements, is not a legal entity. As at September 30, 2021, the Property and its related assets and liabilities are owned by Skyline Real Estate Limited Partnership ("RELPS") through a bare trustee company, 9921192 Canada Inc. (the "Owner").

The Property is a mid-rise apartment building, comprising 60 multi-family suites, located at 3400 Centennial Drive, Vernon, BC, V1T 2T7 Canada.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, financial performance, changes in owners' equity and cash flows of the Property as required by Canadian securities regulations for inclusion in the prospectus relating to the public offering of units of Starlight Western Canada Multi-Family (No. 2) Fund (the "Fund").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owner and present the financial position, financial performance, changes in owners' equity and cash flows of the Property for the periods presented as if the Property had been accounted for on a standalone basis. Management's estimates, when necessary, have been used to prepare such allocations. This Property is part of a corporate group and as a result, these carve-out financial statements depict the owners' equity in net assets representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

The financial information of the Property contained in the carve-out statements of financial position, carve-out statements of income and comprehensive income, changes in owners' equity and cash flows and the notes for the three months ended September 30, 2021 and September 30, 2020 and the nine months ended September 30, 2020 are unaudited.

These carve-out financial statements were authorized for issuance by the board of trustees of the Fund on January 27, 2022.

(a) Basis of operations and statement of compliance:

The carve-out financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of the carve-out financial statements.

The carve-out financial statements have been prepared on a historical cost basis except for investment property, which is stated at fair value.

(b) Functional and presentation currency:

These carve-out financial statements are presented in Canadian dollars, which is the functional currency of the Property and all amounts have been rounded to the nearest thousand except when otherwise indicated.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies:

(a) Critical judgments and estimates:

The preparation of carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property:

The estimates used when determining the fair value of the investment property are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing financial information and external market data and capitalization rates provided by independent industry experts.

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Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(b) Investment property:

The Property selected the fair value method to account for real estate classified as investment property under IAS 40, Investment Property ("IAS 40"). A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property includes land and building structures, as well as residential suites situated on the property. The investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is measured at fair value. Gains and losses arising from changes in the fair value are included in the carve-out statements of net income and comprehensive income in the period in which they arise.

Fair values are primarily determined by using the capitalized net income approach which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts and third party appraisals. Subsequent capital expenditures are added to the carrying value of an investment property only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances attributable to the property held in RELP's bank accounts. Restricted cash can only be used for specified purposes. Tenant security deposits held by the Property are deemed restricted cash.

(d) Revenue recognition:

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases.

Revenue from the investment property includes all rental income earned from the Property, including residential tenant rental income, parking income, and all other incidental income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Finance costs:

Finance costs consist of interest on the mortgage payable and amortization of financing costs related to the mortgage payable.

(f) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost and (ii) FVTPL. Financial instruments are recognized initially at fair value.

The following table summarizes the Property's classification and measurement of financial assets and liabilities:

	<u>Classification/Measurement</u>
<u>Financial assets:</u>	
Tenant and other receivables, net	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
<u>Financial liabilities:</u>	
Mortgage payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance costs payable	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

At each reporting date, the Property assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Property recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(g) Income taxes:

The Property, as presented in these carve-out financial statements, is not a legal entity. As such, any income tax liabilities will be reported by the Owner.

3. Adoption of accounting standards:

Future accounting policy changes:

There were no new standards, interpretations or improvements to existing standards that were issued by the IASB or by the International Financial Reporting Interpretations Committee ("IFRIC") that either have not yet been adopted by the Property or that would have a material impact on the Property's financial condition or financial performance.

4. Investment property:

The following table summarizes the changes in the investment property for the nine months ended September 30, 2021 and year ended December 31, 2020:

Balance, January 1, 2020	\$	13,750
Net capital reductions		(182)
Fair value adjustment		1,592
Balance, December 31, 2020	\$	15,160
Net capital additions		34
Fair value adjustment		2,277
Balance, September 30, 2021	\$	17,471

The key valuation assumptions for the Property are set out in the following table:

	September 30, 2021	December 31, 2020
Capitalization rate	4.51 %	5.25 %

The Property determined the fair value of the investment property using the capitalized net income approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair value of the investment property is sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the investment property as set out in the following table:

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

4. Investment property (continued):

Weighted average	Change	September 30, 2021	December 31, 2020
Capitalization rate	10 basis-point increase	\$ (400)	\$ (280)
Capitalization rate	10 basis-point decrease	\$ 400	\$ 290

The impact of a one percent change in the net operating income used to value the investment property as at September 30, 2021 and December 31, 2020 would increase/decrease the fair value by approximately \$180 and \$150, respectively. See Note 16(d) for potential impacts to the fair value as a result of the novel coronavirus ("COVID-19") global pandemic.

The fair value of the Property is considered a Level 3 measurement in the fair value hierarchy due to the extent of assumptions required beyond observable market data to derive the fair values.

5. Tenant and other receivables, net:

The following table presents details of the tenant and other receivables, net balance:

	September 30, 2021	December 31, 2020
Tenant and other receivables, net	\$ 6	\$ 4

The Property holds no collateral in respect of tenant and other receivables.

6. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balance:

	September 30, 2021	December 31, 2020
Prepaid insurance	\$ 4	\$ —
Other prepaid expenses	35	22
	\$ 39	\$ 22

7. Restricted cash:

The following table presents details of the restricted cash balance:

	September 30, 2021	December 31, 2020
Restricted cash:		
Security deposits ⁽ⁱ⁾	\$ 44	\$ 42

- (i) Security deposits relate to funds paid by tenants that are specifically restricted until a tenant exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

8. Mortgage payable:

Mortgage payable is secured by the investment property and bears interest at a fixed rate.

Property Name	Payment Terms	Renewal Date	Interest Rate	September 30, 2021	December 31, 2020
Vernon Property	Principal + interest	August 1, 2029	3.34%	\$ 9,322	\$ 9,472
Less: Deferred financing costs				(20)	(31)
Carrying value				\$ 9,302	\$ 9,441
Classified as:					
Non-current				\$ 9,107	\$ 9,253
Current				195	188
Total				\$ 9,302	\$ 9,441

The Property's repayment of mortgage principal is payable as follows:

	Principal payments	Balloon payments	Total
2021 - remainder of the year	\$ 49	\$ —	\$ 49
2022	195	—	195
2023	210	—	210
2024 and thereafter	222	\$ 8,626	\$ 8,848
Total	\$ 676	\$ 8,626	\$ 9,302

9. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	September 30, 2021	December 31, 2020
Tenant prepayments	\$ 66	\$ 61
Operating payables	10	11
Accrued utilities, payroll and other	75	68
	\$ 151	\$ 140

10. Segmented disclosure:

All of the Property's assets and liabilities are in, and its revenues are derived from, the British Columbia real estate industry segment. No single tenant accounts for 10% or more of the Property's rental revenue.

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Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

11. Finance costs:

Finance costs consist of the following:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on mortgage payable	\$ 79	\$ 80	\$ 233	\$ 238
Amortization of financing costs	3	3	10	13
	\$ 82	\$ 83	\$ 243	\$ 251

12. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Prepaid expenses and other assets	\$ 8	\$ (55)	\$ (17)	\$ (45)
Tenant and other receivables, net	(2)	—	(2)	7
Accounts payable and accrued liabilities	3	23	13	28
	\$ 9	\$ (32)	\$ (6)	\$ (10)

13. Related party transactions:

Skyline Asset Management Inc. ("Skyline") is an entity under common control and management. Skyline was appointed as the manager of the Property. As such, Skyline meets the definition of a "related party" as defined in IAS 24 - "Related party disclosures". Skyline receives an asset management fee for managing day to day activities for the Owner.

The asset management fee is calculated and payable on a monthly basis in arrears in cash and is calculated based on 2% of adjusted gross revenue.

For the three and nine months ended September 30, 2021 and September 30, 2020, asset management fees were incurred in the amount of \$6 (unaudited), \$19, \$6 (unaudited) and \$17 (unaudited), respectively.

14. Commitments and contingencies:

At the statement of financial position dates, the Property had no commitments for future minimum lease payments under non-cancellable operating leases. All existing leases as of September 30, 2021 expire within 12 months.

The Property may be involved in litigation and claims in relation to the investment property that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Property.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

15. Capital management:

The Property's capital consists of mortgage payable and owners' equity, and is funded by the Owners primarily for additions to the investment property and leasing activities, to the extent not available from cash flows from the property's operations. Capital is monitored by management using tools designed to anticipate cash needs and to maintain adequate working capital.

16. Risk management:

In the normal course of business, the Property's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The Property mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and utilizing third party collection agencies for longstanding balances due from tenants.

The Property monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the carve-out statements of net income and comprehensive income.

As at September 30, 2021 and December 31, 2020 the Property had an allowance for uncollectible amounts of \$1 and \$1, respectively.

Bad debts expensed within property operating costs for the three and nine months ended September 30, 2021 were \$nil (unaudited) and \$nil, respectively (three and nine months ended September 30, 2020 - \$nil (unaudited) and \$nil (unaudited)).

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, such as interest rates. The investment property is subject to the risks associated with debt financing, including the risk that the mortgage will not be refinanced on terms as favourable as those of the existing indebtedness.

As at September 30, 2021, the Property has been reported at fair value which reflects the Property's best estimate of future cash flows and capitalization rates applicable to the investment property. The capitalization rates used in the valuation of the Property includes consideration of comparable sales transactions for similar properties as well as overall changes in the investment market for multi-family properties up to September 30, 2021. The Property continues to monitor and review the potential impact that COVID-19 may have on the future cash flows and capitalization rates applicable to the Property. Subsequent to September 30, 2021, a transaction was entered into for the sale of the Property for \$18,250 (note 18).

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

16. Risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulties in meeting its financial obligations as they come due. To mitigate the risk associated with liquidity, management's strategy is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

All of the Property's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. The contractual maturity of the mortgage payable is outlined in note 8.

(d) Other risk:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Other impacts of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

17. Fair value measurements:

The Property uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings (Level 3).

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

17. Fair value measurements (continued):

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

- i. The fair value of the Property's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities and finance cost payable, approximate their carrying amounts due to their short-term nature.
- ii. The fair value of the mortgage payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Property's mortgage payable as at September 30, 2021 and December 31, 2020 approximates carrying value.

18. Subsequent events:

Subsequent to September 30, 2021, the Owner entered into an agreement to sell the Property to the Starlight Western Canada Multi-Family (No. 2) Fund for a purchase price of \$18,250. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

Carve-out Financial Statements
(In thousands of Canadian dollars)

VERNON PROPERTY

As at December 31, 2020 and December 31, 2019 and for the year ended
December 31, 2020 and period ended December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Starlight Western Canada Multi-Family (No. 2) Fund

Opinion

We have audited the accompanying carve-out financial statements of 3400 Centennial ("the Property"), a property of Skyline Real Estate Limited Partnership which comprise the carve-out statements of financial position as at December 31, 2020 and December 31, 2019 and the carve-out statements of income and comprehensive income, changes in equity and cash flows for the year ended December 31, 2020 and the period from March 14, 2019 to December 31, 2019, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the property as at December 31, 2020 and December 31, 2019 and the results of its operations and its cash flows for the year ended December 31, 2020 and the period from March 14, 2019 to December 31, 2019 in accordance with International Financial Reporting Standards

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Carve-out Financial Statements section of our report. We are independent of the property in accordance with the ethical requirements that are relevant to our audit of the carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 of the carve-out financial statements which describes the basis of accounting. The carve-out financial statements have been prepared for the specific purpose of reporting as required by Canadian Securities regulations for inclusion in the prospectus relating to the offering of units of Starlight Western Canada Multi-Family (No. 2) Fund.

Responsibility of Management and Those Charged with Governance for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the property's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the property or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the property's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the property's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the property's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the property to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Guelph, Ontario
January 27, 2022

Chartered Professional Accountants
Licensed Public Accountants

VERNON PROPERTY

Carve-out Statements of Financial Position
(In thousands of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets:			
Investment property	4	\$ 15,160	\$ 13,750
Total non-current assets		15,160	13,750
Current assets:			
Tenant and other receivables, net	5	4	10
Prepaid expenses and other assets	6	22	1
Restricted cash	7	42	57
Cash		58	111
Total current assets		126	179
TOTAL ASSETS		\$ 15,286	\$ 13,929
LIABILITIES			
Non-current liabilities:			
Mortgage payable	8	\$ 9,253	\$ 9,442
Total non-current liabilities		9,253	9,442
Current liabilities:			
Mortgage payable	8	188	178
Accounts payable and accrued liabilities	9	140	86
Finance costs payable		27	27
Total current liabilities		355	291
TOTAL LIABILITIES		\$ 9,608	\$ 9,733
Owners' equity		5,678	4,196
TOTAL LIABILITIES AND OWNERS' EQUITY		\$ 15,286	\$ 13,929

Commitments and contingencies (note 14).

Subsequent events (note 18).

See accompanying notes to the carve-out financial statements.

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Carve-out Statements of Net Income (Loss) and Comprehensive Income (Loss)
(In thousands of Canadian dollars)

	Note	Year ended December 31, 2020	Period ended December 31, 2019
Revenue from property operations	\$	1,019	\$ 687
Expenses:			
Property operating costs		289	189
Property taxes		86	31
Income from rental operations		644	467
Finance costs	11	334	166
Asset management fees	13	23	15
Fair value adjustment on investment property	4	(1,592)	351
Net income (loss) and comprehensive income (loss)	\$	1,879	\$ (65)

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY

Carve-out Statements of Changes in Owners' Equity
(In thousands of Canadian dollars)

For the year ended December 31, 2020 and period ended December 31, 2019:

Balance, March 14, 2019	\$	—
Net loss and comprehensive loss		(65)
Contributions from owners		4,261
Balance, January 1, 2020	\$	4,196
Net income and comprehensive income		1,879
Distributions to owners		(397)
Balance, December 31, 2020	\$	5,678

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY

Carve-out Statements of Cash Flows
(In thousands of Canadian dollars)

	Note	Year ended December 31, 2020	Period ended December 31, 2019
Operating activities:			
Net income (loss) and comprehensive income (loss)	\$	1,879	\$ (65)
Adjustments for financing activities included in net income (loss) and comprehensive income (loss):			
Finance costs	11	334	166
Adjustments for items not involving cash:			
Fair value adjustment on investment property	4	(1,592)	351
Change in non-cash operating working capital	12	39	75
Change in restricted cash	7	15	(57)
Cash provided by operating activities		675	470
Financing activities:			
Mortgage principal (repayment) proceeds	8	(195)	9,596
Finance costs paid	11	(318)	(115)
(Distributions to) contributions from owners		(397)	4,261
Cash (used in) provided by financing activities		(910)	13,742
Investing activities:			
Capital reductions of (additions to) investment property	4	182	(14,101)
Cash used in investing activities		182	(14,101)
(Decrease) increase in cash		(53)	111
Cash, beginning of period		111	—
Cash, end of period	\$	58	\$ 111

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

1. Nature of operations and basis of presentation:

Vernon Property (the "Property" or "Vernon"), as presented in these carve-out financial statements, is not a legal entity. As at December 31, 2020, the Property and its related assets and liabilities are owned by Skyline Real Estate Limited Partnership ("RELP") through a bare trustee company, 9921192 Canada Inc. (the "Owner").

The Property is a mid-rise apartment building, comprising 60 multi-family suites, located at 3400 Centennial Drive, Vernon BC, V1T 2T7 Canada.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, financial performance, changes in owners' equity and cash flows of the Property as required by Canadian securities regulations for inclusion in the prospectus relating to the public offering of units of Starlight Western Canada Multi-Family (No. 2) Fund (the "Fund").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owner and present the financial position, financial performance, changes in owners' equity and cash flows of the Property for the periods presented as if the Property had been accounted for on a standalone basis. Management's estimates, when necessary, have been used to prepare such allocations. This Property is part of a corporate group and as a result, these carve-out financial statements depict the owners' equity in net assets representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

These carve-out financial statements were authorized for issuance by the board of trustees of the Fund on January 27, 2022.

(a) Basis of operations and statement of compliance:

The carve-out financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of the carve-out financial statements.

The carve-out financial statements have been prepared on a historical cost basis except for investment property, which is stated at fair value.

(b) Functional and presentation currency:

These carve-out financial statements are presented in Canadian dollars, which is the functional currency of the Property and all amounts have been rounded to the nearest thousand except when otherwise indicated.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies:

(a) Critical judgments and estimates:

The preparation of carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property:

The estimates used when determining the fair value of the investment property are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing financial information and external market data and capitalization rates provided by independent industry experts.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(b) Investment property:

The Property selected the fair value method to account for real estate classified as investment property under IAS 40, Investment Property ("IAS 40"). A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property includes land and building structures, as well as residential suites situated on the property. The investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is measured at fair value. Gains and losses arising from changes in the fair value are included in the carve-out statements of net income and comprehensive income in the period in which they arise.

Fair values are primarily determined by using the capitalized net income approach which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts and third party appraisals. Subsequent capital expenditures are added to the carrying value of an investment property only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances attributable to the property held in RELP's bank accounts. Restricted cash can only be used for specified purposes. Tenant security deposits held by the Property are deemed restricted cash.

(d) Revenue recognition:

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases.

Revenue from the investment property includes all rental income earned from the Property, including residential tenant rental income, parking income, and all other incidental income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Finance costs:

Finance costs consist of interest on the mortgage payable and amortization of financing costs related to the mortgage payable.

(f) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost and (ii) FVTPL. Financial instruments are recognized initially at fair value.

The following table summarizes the Property's classification and measurement of financial assets and liabilities:

	<u>Classification/Measurement</u>
<u>Financial assets:</u>	
Tenant and other receivables, net	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
<u>Financial liabilities:</u>	
Mortgage payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance costs payable	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

At each reporting date, the Property assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Property recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(g) Income taxes:

The Property, as presented in these carve-out financial statements, is not a legal entity. As such, any income tax liabilities will be reported by the Owner.

3. Adoption of accounting standards:

Future accounting policy changes:

There were no new standards, interpretations or improvements to existing standards that were issued by the IASB or by the International Financial Reporting Interpretations Committee ("IFRIC") that either have not yet been adopted by the Property or that would have a material impact on the Property's financial condition or financial performance.

4. Investment property:

The following table summarizes the changes in the investment property for the year ended December 31, 2020 and period ended December 31, 2019:

Balance, March 14, 2019	\$	—
Acquisition through purchase of investment property		13,324
Net Capital additions		777
Fair value adjustment		(351)
Balance, December 31, 2019	\$	13,750
Net Capital reductions		(182)
Fair value adjustment		1,592
Balance, December 31, 2020	\$	15,160

The key valuation assumptions for the Property are set out in the following table:

	December 31, 2020	December 31, 2019
Capitalization rate	5.25 %	5.20 %

The Property determined the fair value of the investment property using the capitalized net income approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair value of the investment property is sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the investment property as set out in the following table:

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

4. Investment property (continued):

Weighted average	Change	December 31, 2020	December 31, 2019
Capitalization rate	10 basis-point increase	\$ (280)	\$ (260)
Capitalization rate	10 basis-point decrease	\$ 290	\$ 270

The impact of a one percent change in the net operating income used to value the investment property as at December 31, 2020 and December 31, 2019 would increase/decrease the fair value by approximately \$150 and \$140, respectively. See Note 16(d) for potential impacts to the fair value as a result of the novel coronavirus ("COVID-19") global pandemic.

The fair value of the Property is considered a Level 3 measurement in the fair value hierarchy due to the extent of assumptions required beyond observable market data to derive the fair values.

5. Tenant and other receivables, net:

The following table presents details of the tenant and other receivables, net balance:

	December 31, 2020	December 31, 2019
Tenant and other receivables, net	\$ 4	\$ 10

The Property holds no collateral in respect of tenant and other receivables.

6. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balance:

	December 31, 2020	December 31, 2019
Prepaid expenses	21	—
Other assets	1	1
	\$ 22	\$ 1

7. Restricted cash:

The following table presents details of the restricted cash balance:

	December 31, 2020	December 31, 2019
Restricted cash:		
Security deposits ⁽ⁱ⁾	\$ 42	\$ 57

- (i) Security deposits relate to funds paid by tenants that are specifically restricted until a tenant exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

8. Mortgage payable:

Mortgage payable is secured by the investment property and bears interest at a fixed rate.

Property Name	Payment Terms	Renewal Date	Interest Rate	December 31, 2020	December 31, 2019
Vernon Property	Principal + interest	August 1, 2029	3.34%	\$ 9,472	\$ 9,667
Less: Deferred financing costs				(31)	(47)
Carrying value				\$ 9,441	\$ 9,620
Classified as:					
Non-current				\$ 9,253	\$ 9,442
Current				188	178
Total				\$ 9,441	\$ 9,620

The Property's repayment of mortgage principal is payable as follows:

	Principal payments	Balloon payments	Total
2021	\$ 188	\$ —	\$ 188
2022	195	—	195
2023	210	—	210
2024 and thereafter	222	\$ 8,626	\$ 8,848
Total	\$ 815	\$ 8,626	\$ 9,441

9. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	December 31, 2020	December 31, 2019
Tenant prepayments	\$ 61	\$ 60
Operating payables	11	4
Accrued utilities, payroll and other	68	22
	\$ 140	\$ 86

10. Segmented disclosure:

All of the Property's assets and liabilities are in, and its revenues are derived from, the British Columbia real estate industry segment. No single tenant accounts for 10% or more of the Property's rental revenue.

11. Finance costs:

Finance costs consist of the following:

	Year ended December 31, 2020	Period ended December 31, 2019
Interest on mortgage payable	\$ 318	\$ 142
Amortization of financing costs	16	24
	\$ 334	\$ 166

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

12. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Year ended December 31, 2020	Period ended December 31, 2019
Prepaid expenses and other assets	(21)	(1)
Tenant and other receivables, net	6	(10)
Accounts payable and accrued liabilities	54	86
	\$ 39	\$ 75

13. Related party transactions:

Skyline Asset Management Inc. ("Skyline") is an entity under common control and management. Skyline was appointed as the manager of the Property. As such, Skyline meets the definition of a "related party" as defined in IAS 24 - "Related party disclosures". Skyline receives an asset management fee for managing day to day activities for the Owner.

The asset management fee is calculated and payable on a monthly basis in arrears in cash and is calculated based on 2% of adjusted gross revenue.

For the year ended December 31, 2020 and period ended December 31, 2019, asset management fees were incurred in the amount of \$23 and \$15, respectively.

14. Commitments and contingencies:

At the statement of financial position dates, the Property had no commitments for future minimum lease payments under non-cancellable operating leases. All existing leases as of December 31, 2020 expire within 12 months.

The Property may be involved in litigation and claims in relation to the investment property that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Property.

15. Capital management:

The Property's capital consists of mortgage payable and owners' equity, and is funded by the Owners primarily for additions to the investment property and leasing activities, to the extent not available from cash flows from the property's operations. Capital is monitored by management using tools designed to anticipate cash needs and to maintain adequate working capital.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

16. Risk management:

In the normal course of business, the Property's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The Property mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and utilizing third party collection agencies for longstanding balances due from tenants.

The Property monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the carve-out statements of net income (loss) and comprehensive income (loss).

As at December 31, 2020 and December 31, 2019 the Property had an allowance for uncollectible amounts of \$1 and \$5, respectively.

Bad debts expensed within property operating costs for the year ended December 31, 2020 and period ended December 31, 2019 were \$2 and \$5, respectively.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, such as interest rates. The investment property is subject to the risks associated with debt financing, including the risk that the mortgage will not be refinanced on terms as favourable as those of the existing indebtedness.

As at December 31, 2020, the Property has been reported at fair value which reflects the Property's best estimate of future cash flows and capitalization rates applicable to the investment property. The capitalization rates used in the valuation of the Property includes consideration of comparable sales transactions for similar properties as well as overall changes in the investment market for multi-family properties up to December 31, 2020. The Property continues to monitor and review the potential impact that COVID-19 may have on the future cash flows and capitalization rates applicable to the Property. Subsequent to December 31, 2020, a transaction was entered into for the sale of the Property for \$18,250 (note 18).

(c) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulties in meeting its financial obligations as they come due. To mitigate the risk associated with liquidity, management's strategy is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

All of the Property's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. The contractual maturity of the mortgage payable is outlined in note 8.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

16. Risk management (continued):

(d) Other risk:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Other impacts of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

17. Fair value measurements:

The Property uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings (Level 3).

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

- i. The fair value of the Property's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities and finance cost payable, approximate their carrying amounts due to their short-term nature.
- ii. The fair value of the mortgage payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Property's mortgage payable as at December 31, 2020 and December 31, 2019 approximates carrying value.

VERNON PROPERTY

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

18. Subsequent events:

Subsequent to December 31, 2020, the Owner entered into an agreement to sell the Property to the Starlight Western Canada Multi-Family (No. 2) Fund for a purchase price of \$18,250. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

Carve-out Financial Statements
(In thousands of Canadian dollars)

VERNON PROPERTY 2

As at September 30, 2021 and December 31, 2020 and for the three and nine months ended September 30, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Starlight Western Canada Multi-Family (No. 2) Fund

Opinion

We have audited the accompanying carve-out financial statements of 1803-31A ("the Property"), a property of Skyline Real Estate Limited Partnership which comprise the carve-out statement of financial position as at September 30, 2021 and December 31, 2020 and the carve-out statements of income and comprehensive income, changes in equity and cash flows for the period ended September 30, 2021 and the year ended December 31, 2020, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the property as at September 30, 2021 and December 31, 2020 and the results of its operations and its cash flows for the period ended September 30, 2021 and the year ended December 31, 2020 in accordance with International Financial Reporting Standards

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Carve-out Financial Statements section of our report. We are independent of the property in accordance with the ethical requirements that are relevant to our audit of the carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 of the carve-out financial statements which describes the basis of accounting. The carve-out financial statements have been prepared for the specific purpose of reporting as required by Canadian Securities regulations for inclusion in the prospectus relating to the offering of units of Starlight Western Canada Multi-Family (No. 2) Fund.

Responsibility of Management and Those Charged with Governance for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the property's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the property or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the property's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

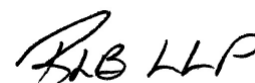
Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the property's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the property's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the property to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Guelph, Ontario
January 27, 2022



Chartered Professional Accountants
Licensed Public Accountants

VERNON PROPERTY 2

Carve-out Statements of Financial Position
(In thousands of Canadian dollars)

	Note	September 30, 2021	December 31, 2020
ASSETS			
Non-current assets:			
Investment property	4	\$ 12,013	\$ 10,420
Total non-current assets		12,013	10,420
Current assets:			
Tenant and other receivables, net	5	2	15
Prepaid expenses and other assets	6	31	18
Restricted cash	7	33	34
Cash		126	83
Total current assets		192	150
TOTAL ASSETS		\$ 12,205	\$ 10,570
LIABILITIES			
Non-current liabilities:			
Mortgage payable	8	\$ 6,741	\$ 6,862
Total non-current liabilities		6,741	6,862
Current liabilities:			
Mortgage payable	8	160	156
Accounts payable and accrued liabilities	9	85	73
Finance costs payable		14	14
Total current liabilities		259	243
TOTAL LIABILITIES		\$ 7,000	\$ 7,105
Owners' equity		5,205	3,465
TOTAL LIABILITIES AND OWNERS' EQUITY		\$ 12,205	\$ 10,570

Commitments and contingencies (note 14).

Subsequent events (note 18).

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY 2

Carve-out Statements of Net Income and Comprehensive Income
(In thousands of Canadian dollars)

		Three months ended		Nine months ended	
	Note	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		(unaudited)	(unaudited)		(unaudited)
Revenue from property operations		\$ 187	\$ 175	\$ 582	\$ 349
Expenses:					
Property operating costs		50	42	164	179
Property taxes		15	10	44	46
Income from rental operations		122	123	374	124
Finance costs	11	43	31	131	31
Asset management fees	13	4	4	13	4
Fair value adjustment on investment property	4	(378)	(137)	(1,133)	(411)
Net income and comprehensive income		\$ 453	\$ 225	\$ 1,363	\$ 500

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY 2

Carve-out Statements of Changes in Owners' Equity
(In thousands of Canadian dollars)

For the three months ended September 30, 2021 (unaudited) and September 30, 2020 (unaudited):

Balance, July 1, 2021	\$	4,240
Net income and comprehensive income		453
Contributions from owners		512
Balance, September 30, 2021	\$	5,205

Balance, July 1, 2020	\$	10,126
Net income and comprehensive income		225
Distributions to owners		(7,112)
Balance, September 30, 2020	\$	3,239

For the nine months ended September 30, 2021 and September 30, 2020 (unaudited):

Balance, January 1, 2021	\$	3,465
Net income and comprehensive income		1,363
Contributions from owners		377
Balance, September 30, 2021	\$	5,205

Balance, January 1, 2020	\$	9,791
Net income and comprehensive income		500
Distributions to owners		(7,052)
Balance, September 30, 2020	\$	3,239

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY 2

Carve-out Statements of Cash Flows
(In thousands of Canadian dollars)

	Note	Three months ended		Nine months ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		(unaudited)	(unaudited)		(unaudited)
Operating activities:					
Net income and comprehensive income		\$ 453	\$ 225	\$ 1,363	\$ 500
Adjustments for financing activities included in net income and comprehensive income:					
Finance costs	11	43	31	131	31
Adjustments for items not involving cash:					
Fair value adjustment on investment property	4	(378)	(137)	(1,133)	(411)
Change in non-cash operating working capital	12	10	107	12	25
Change in restricted cash	7	(2)	(11)	1	(31)
Cash provided by operating activities		126	215	374	114
Financing activities:					
Mortgage principal (repayment) proceeds	8	(43)	7,053	(125)	7,053
Finance costs paid	11	(40)	(16)	(123)	(16)
Contributions from (distributions to) owners		512	(7,112)	377	(7,052)
Cash provided by (used in) financing activities		429	(75)	129	(15)
Investing activities:					
Capital additions to investment property	4	(446)	(3)	(460)	(64)
Cash used in investing activity		(446)	(3)	(460)	(64)
Increase in cash		109	137	43	35
Cash (bank overdraft), beginning of period		17	(108)	83	(6)
Cash, end of period		\$ 126	\$ 29	\$ 126	\$ 29

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

1. Nature of operations and basis of presentation:

Vernon Property 2 (the "Property" or "Vernon 2"), as presented in these carve-out financial statements, is not a legal entity. As at September 30, 2021, the Property and its related assets and liabilities were owned by Skyline Real Estate Limited Partnership ("RELPS") through a bare trustee company, 2103078 Ontario Inc. (the "Owner").

The Property is a mid-rise apartment building, comprising 43 multi-family suites, located at 1803 31A Street, Vernon, BC, V1T 2T7 Canada.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, financial performance, changes in owners' equity and cash flows of the Property as required by Canadian securities regulations for inclusion in the prospectus relating to the public offering of units of Starlight Western Canada Multi-Family (No. 2) Fund (the "Fund").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owner and present the financial position, financial performance, changes in owners' equity and cash flows of the Property for the periods presented as if the Property had been accounted for on a standalone basis. Management's estimates, when necessary, have been used to prepare such allocations. This Property is part of a corporate group and as a result, these carve-out financial statements depict the owners' equity in net assets representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

The financial information of the Property contained in the carve-out statements of financial position, carve-out statements of income and comprehensive income, changes in owners' equity and cash flows and the notes for the three months ended September 30, 2021 and September 30, 2020 and the nine months ended September 30, 2020 are unaudited.

These carve-out financial statements were authorized for issuance by the board of trustees of the Fund on January 27, 2022.

(a) Basis of operations and statement of compliance:

The carve-out financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of the carve-out financial statements.

The carve-out financial statements have been prepared on a historical cost basis except for investment property, which is stated at fair value.

(b) Functional and presentation currency:

These carve-out financial statements are presented in Canadian dollars, which is the functional currency of the Property and all amounts have been rounded to the nearest thousand except when otherwise indicated.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies:

(a) Critical judgments and estimates:

The preparation of carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property:

The estimates used when determining the fair value of the investment property are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing financial information and external market data and capitalization rates provided by independent industry experts.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(b) Investment property:

The Property selected the fair value method to account for real estate classified as investment property under IAS 40, Investment Property ("IAS 40"). A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property includes land and building structures, as well as residential suites situated on the property. The investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is measured at fair value. Gains and losses arising from changes in the fair value are included in the carve-out statements of net income and comprehensive income in the period in which they arise.

Fair values are primarily determined by using the capitalized net income approach which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts and third party appraisals. Subsequent capital expenditures are added to the carrying value of an investment property only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances attributable to the property held in RELP's bank accounts. Restricted cash can only be used for specified purposes. Tenant security deposits held by the Property are deemed restricted cash.

(d) Revenue recognition:

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases.

Revenue from the investment property includes all rental income earned from the Property, including residential tenant rental income, parking income, and all other incidental income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Finance costs:

Finance costs consist of interest on the mortgage payable and amortization of financing costs related to the mortgage payable.

(f) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost and (ii) FVTPL. Financial instruments are recognized initially at fair value.

The following table summarizes the Property's classification and measurement of financial assets and liabilities:

	<u>Classification/Measurement</u>
<u>Financial assets:</u>	
Tenant and other receivables, net	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
<u>Financial liabilities:</u>	
Mortgage payable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance costs payable	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

At each reporting date, the Property assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Property recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(g) Income taxes:

The Property, as presented in these carve-out financial statements, is not a legal entity. As such, any income tax liabilities will be reported by the Owner.

3. Adoption of accounting standards:

Future accounting policy changes:

There were no new standards, interpretations or improvements to existing standards that were issued by the IASB or by the International Financial Reporting Interpretations Committee ("IFRIC") that either have not yet been adopted by the Property or that would have a material impact on the Property's financial condition or financial performance.

4. Investment property:

The following table summarizes the changes in the investment property for the nine months ended September 30, 2021 and year ended December 31, 2020:

Balance, January 1, 2020	\$	9,800
Capital additions		72
Fair value adjustment		548
Balance, December 31, 2020	\$	10,420
Capital additions		460
Fair value adjustment		1,133
Balance, September 30, 2021	\$	12,013

The key valuation assumptions for the Property are set out in the following table:

	September 30, 2021	December 31, 2020
Capitalization rate	4.51 %	5.25 %

The Property determined the fair value of the investment property using the capitalized net income approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair value of the investment property is sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the investment property as set out in the following table:

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

4. Investment property (continued):

Weighted average	Change	September 30, 2021	December 31, 2020
Capitalization rate	10 basis-point increase	\$ (400)	\$ (190)
Capitalization rate	10 basis-point decrease	\$ 400	\$ 200

The impact of a one percent change in the net operating income used to value the investment property as at September 30, 2021 and December 31, 2020 would increase/decrease the fair value by approximately \$200 and \$100, respectively. See Note 16(d) for potential impacts to the fair value as a result of the novel coronavirus ("COVID-19") global pandemic.

The fair value of the Property is considered a Level 3 measurement in the fair value hierarchy due to the extent of assumptions required beyond observable market data to derive the fair values.

5. Tenant and other receivables, net:

The following table presents details of the tenant and other receivables, net balance:

	September 30, 2021	December 31, 2020
Tenant and other receivables, net	\$ 2	\$ 15

The Property holds no collateral in respect of tenant and other receivables.

6. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balance:

	September 30, 2021	December 31, 2020
Prepaid insurance	\$ 3	\$ —
Other prepaid expenses	26	16
Other assets	2	2
	\$ 31	\$ 18

7. Restricted cash:

The following table presents details of the restricted cash balance:

	September 30, 2021	December 31, 2020
Restricted cash:		
Security deposits ⁽ⁱ⁾	\$ 33	\$ 34

- (i) Security deposits relate to funds paid by tenants that are specifically restricted until a tenant exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

8. Mortgage payable:

Mortgage payable is secured by the investment property and bears interest at a fixed rate.

Property Name	Payment Terms	Renewal Date	Interest Rate	September 30, 2021	December 31, 2020
Vernon Property 2	Principal + interest	August 1, 2030	2.35%	\$ 6,942	\$ 7,067
Less: Deferred financing costs				(41)	(49)
Carrying value				\$ 6,901	\$ 7,018
Classified as:					
Non-current				\$ 6,741	\$ 6,862
Current				160	156
Total				\$ 6,901	\$ 7,018

The Property's repayment of mortgage principal is payable as follows:

	Principal payments	Balloon payments	Total
2021 - remainder of the year	\$ 39	\$ —	\$ 39
2022	160	—	160
2023	164	—	164
2024 and thereafter	168	\$ 6,370	\$ 6,538
Total	\$ 531	\$ 6,370	\$ 6,901

9. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	September 30, 2021	December 31, 2020
Tenant prepayments	\$ 47	\$ 47
Operating payables	6	5
Accrued utilities, payroll and other	32	21
	\$ 85	\$ 73

10. Segmented disclosure:

All of the Property's assets and liabilities are in, and its revenues are derived from, the British Columbia real estate industry segment. No single tenant accounts for 10% or more of the Property's rental revenue.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

11. Finance costs:

Finance costs consist of the following:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest on mortgage payable	\$ 40	\$ 28	\$ 123	\$ 28
Amortization of financing costs	3	3	8	3
	\$ 43	\$ 31	\$ 131	\$ 31

12. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Prepaid expenses and other assets	\$ 4	\$ 86	\$ (13)	\$ (21)
Tenant and other receivables, net	8	4	13	(14)
Accounts payable and accrued liabilities	(2)	17	12	60
	\$ 10	\$ 107	\$ 12	\$ 25

13. Related party transactions:

Skyline Asset Management Inc. ("Skyline") is an entity under common control and management. Skyline was appointed as the manager of the Property. As such, Skyline meets the definition of a "related party" as defined in IAS 24 - "Related party disclosures". Skyline receives an asset management fee for managing day to day activities for the Owner.

The asset management fee is calculated and payable on a monthly basis in arrears in cash and is calculated based on 2% of adjusted gross revenue.

For the three and nine months ended September 30, 2021 and September 30, 2020, asset management fees were incurred in the amount of \$4 (unaudited), \$13, \$4 (unaudited) and \$4 (unaudited), respectively.

14. Commitments and contingencies:

At the statement of financial position dates, the Property had no commitments for future minimum lease payments under non-cancellable operating leases. All existing leases as of September 30, 2021 expire within 12 months.

The Property may be involved in litigation and claims in relation to the investment property that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Property.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

15. Capital management:

The Property's capital consists of mortgage payable and owners' equity, and is funded by the Owners primarily for additions to the investment property and leasing activities, to the extent not available from cash flows from the property's operations. Capital is monitored by management using tools designed to anticipate cash needs and to maintain adequate working capital.

16. Risk management:

In the normal course of business, the Property's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The Property mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and utilizing third party collection agencies for longstanding balances due from tenants.

The Property monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the carve-out statements of net income and comprehensive income.

As at September 30, 2021 and December 31, 2020 the Property had an allowance for uncollectible amounts of \$1 and \$4, respectively.

Bad debts expensed within property operating costs for the three and nine months ended September 30, 2021 were \$1 (unaudited) and \$12, respectively (three and nine months ended September 30, 2020 - \$4 (unaudited) and \$5 (unaudited), respectively).

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, such as interest rates. The investment property is subject to the risks associated with debt financing, including the risk that the mortgage will not be refinanced on terms as favourable as those of the existing indebtedness.

As at September 30, 2021, the Property has been reported at fair value which reflects the Property's best estimate of future cash flows and capitalization rates applicable to the investment property. The capitalization rates used in the valuation of the Property includes consideration of comparable sales transactions for similar properties as well as overall changes in the investment market for multi-family properties up to September 30, 2021. The Property continues to monitor and review the potential impact that COVID-19 may have on the future cash flows and capitalization rates applicable to the Property. Subsequent to September 30, 2021, a transaction was entered into for the sale of the Property for \$12,550 (note 18).

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

16. Risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulties in meeting its financial obligations as they come due. To mitigate the risk associated with liquidity, management's strategy is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

All of the Property's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. The contractual maturity of the mortgage payable is outlined in note 8.

(d) Other risk:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Other impacts of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

17. Fair value measurements:

The Property uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings (Level 3).

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(In thousands of Canadian dollars, unless otherwise noted)

17. Fair value measurements (continued):

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

- i. The fair value of the Property's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities and finance cost payable, approximate their carrying amounts due to their short-term nature.
- ii. The fair value of the mortgage payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Property's mortgage payable as at September 30, 2021 and December 31, 2020 approximates carrying value.

18. Subsequent events:

Subsequent to September 30, 2021, the Owner entered into an agreement to sell the Property to the Starlight Western Canada Multi-Family (No. 2) Fund for a purchase price of \$12,550. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

Carve-out Financial Statements
(In thousands of Canadian dollars)

VERNON PROPERTY 2

As at December 31, 2020 and 2019 and for the year ended December 31,
2020 and period ended December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Starlight Western Canada Multi-Family (No. 2) Fund

Opinion

We have audited the accompanying carve-out financial statements of 1803-31A ("the Property"), a property of Skyline Real Estate Limited Partnership which comprise the carve-out statements of financial position as at December 31, 2020 and December 31, 2019 and the carve-out statement of income and comprehensive income, changes in equity and cash flows for the year ended December 31, 2020 and the period from December 2, 2019 to December 31, 2019, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the property as at December 31, 2020 and December 31, 2019 and the results of its operations and its cash flows for the year ended December 31, 2020 and the period from December 2, 2019 to December 31, 2019 in accordance with International Financial Reporting Standards

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Carve-out Financial Statements section of our report. We are independent of the property in accordance with the ethical requirements that are relevant to our audit of the carve-out financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 of the carve-out financial statements which describes the basis of accounting. The carve-out financial statements have been prepared for the specific purpose of reporting as required by Canadian Securities regulations for inclusion in the prospectus relating to the offering of units of Starlight Western Canada Multi-Family (No. 2) Fund.

Responsibility of Management and Those Charged with Governance for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the property's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the property or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the property's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the carve-out financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these carve-out financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the property's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the property's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the carve-out financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the property to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Guelph, Ontario
January 27, 2022



Chartered Professional Accountants
Licensed Public Accountants

VERNON PROPERTY 2

Carve-out Statements of Financial Position
(In thousands of Canadian dollars)

	Note	December 31, 2020	December 31, 2019
ASSETS			
Non-current assets:			
Investment property	4	\$ 10,420	\$ 9,800
Total non-current assets		10,420	9,800
Current assets:			
Tenant and other receivables, net	5	15	1
Prepaid expenses and other assets	6	18	—
Restricted cash	7	34	4
Cash		83	—
Total current assets		150	5
TOTAL ASSETS		\$ 10,570	\$ 9,805
LIABILITIES			
Non-current liabilities:			
Mortgage payable	8	\$ 6,862	\$ —
Total non-current liabilities		6,862	—
Current liabilities:			
Bank overdraft		—	6
Mortgage payable	8	156	—
Accounts payable and accrued liabilities	9	73	8
Finance costs payable		14	—
Total current liabilities		243	14
TOTAL LIABILITIES		\$ 7,105	\$ 14
Owners' equity		3,465	9,791
TOTAL LIABILITIES AND OWNERS' EQUITY		\$ 10,570	\$ 9,805

Commitments and contingencies (note 14).

Subsequent events (note 18).

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY 2

Carve-out Statements of Net Income (Loss) and Comprehensive Income (Loss)
(In thousands of Canadian dollars)

	Note	Year ended December 31, 2020	Period ended December 31, 2019
Revenue from property operations	\$	547	\$ 2
Expenses:			
Property operating costs		232	13
Property taxes		62	—
Income (loss) from rental operations		253	(11)
Finance costs	11	76	—
Asset management fees	13	8	—
Fair value adjustment on investment property	4	(548)	101
Net income (loss) and comprehensive income (loss)	\$	717	\$ (112)

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY 2

Carve-out Statements of Changes in Owners' Equity
(In thousands of Canadian dollars)

For the year ended December 31, 2020 and period ended December 31, 2019:

Balance, December 2, 2019	\$	—
Net loss and comprehensive loss		(112)
Contributions from owners		9,903
Balance, January 1, 2020	\$	9,791
Net income and comprehensive income		717
Distributions to owners		(7,043)
Balance, December 31, 2020	\$	3,465

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY 2

Carve-out Statements of Cash Flows
(In thousands of Canadian dollars)

	Note	Year ended December 31, 2020	Period ended December 31, 2019
Operating activities:			
Net income (loss) and comprehensive income (loss)	\$	717	\$ (112)
Adjustments for financing activities included in net income (loss) and comprehensive income (loss):			
Finance costs	11	76	—
Adjustments for items not involving cash:			
Fair value adjustment on investment property	4	(548)	101
Change in non-cash operating working capital	12	33	7
Change in restricted cash	7	(30)	(4)
Cash provided by (used in) operating activities		248	(8)
Financing activities:			
Mortgage principal proceeds	8	7,012	—
Finance costs paid	11	(56)	—
(Distributions to) contributions from owners		(7,043)	9,903
Cash (used in) provided by financing activities		(87)	9,903
Investing activities:			
Capital additions to investment property	4	(72)	(9,901)
Cash used in investing activity		(72)	(9,901)
Increase (decrease) in cash		89	(6)
Bank overdraft, beginning of period		(6)	—
Cash (bank overdraft), end of period	\$	83	\$ (6)

See accompanying notes to the carve-out financial statements.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

1. Nature of operations and basis of presentation:

Vernon Property 2 (the "Property" or "Vernon 2"), as presented in these carve-out financial statements, is not a legal entity. As at December 31, 2020, the Property and its related assets and liabilities were owned by Skyline Real Estate Limited Partnership ("RELPS") through a bare trustee company, 2103078 Ontario Inc. (the "Owner").

The Property is a mid-rise apartment building, comprising 43 multi-family suites, located at 1803 31A Street, Vernon, BC, V1T 2T7 Canada.

These carve-out financial statements have been prepared for the specific purpose of reporting on the financial position, financial performance, changes in owners' equity and cash flows of the Property as required by Canadian securities regulations for inclusion in the prospectus relating to the public offering of units of Starlight Western Canada Multi-Family (No. 2) Fund (the "Fund").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owner and present the financial position, financial performance, changes in owners' equity and cash flows of the Property for the periods presented as if the Property had been accounted for on a standalone basis. Management's estimates, when necessary, have been used to prepare such allocations. This Property is part of a corporate group and as a result, these carve-out financial statements depict the owners' equity in net assets representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

These carve-out financial statements were authorized for issuance by the board of trustees of the Fund on January 27, 2022.

(a) Basis of operations and statement of compliance:

The carve-out financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of the carve-out financial statements.

The carve-out financial statements have been prepared on a historical cost basis except for investment property, which is stated at fair value.

(b) Functional and presentation currency:

These carve-out financial statements are presented in Canadian dollars, which is the functional currency of the Property and all amounts have been rounded to the nearest thousand except when otherwise indicated.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies:

(a) Critical judgments and estimates:

The preparation of carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these carve-out financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the carve-out financial statements include the following:

(i) Investment property:

The estimates used when determining the fair value of the investment property are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of the investment property.

The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing financial information and external market data and capitalization rates provided by independent industry experts.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(b) Investment property:

The Property selected the fair value method to account for real estate classified as investment property under IAS 40, Investment Property ("IAS 40"). A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment property includes land and building structures, as well as residential suites situated on the property. The investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment property is measured at fair value. Gains and losses arising from changes in the fair value are included in the carve-out statements of net income (loss) and comprehensive income (loss) in the period in which they arise.

Fair values are primarily determined by using the capitalized net income approach which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts and third party appraisals. Subsequent capital expenditures are added to the carrying value of an investment property only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances attributable to the property held in RELP's bank accounts. Restricted cash can only be used for specified purposes. Tenant security deposits held by the Property are deemed restricted cash.

(d) Revenue recognition:

The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases.

Revenue from the investment property includes all rental income earned from the Property, including residential tenant rental income, parking income, and all other incidental income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Finance costs:

Finance costs consist of interest on the mortgage payable, bank overdraft and amortization of financing costs related to the mortgage payable.

(f) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income ("FVOCI"). Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost and (ii) FVTPL. Financial instruments are recognized initially at fair value.

The following table summarizes the Property's classification and measurement of financial assets and liabilities:

	<u>Classification/Measurement</u>
<u>Financial assets:</u>	
Tenant and other receivables, net	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
<u>Financial liabilities:</u>	
Mortgage payable	Amortized cost
Bank overdraft	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance costs payable	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

At each reporting date, the Property assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Property recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(g) Income taxes:

The Property, as presented in these carve-out financial statements, is not a legal entity. As such, any income tax liabilities will be reported by the Owner.

3. Adoption of accounting standards:

Future accounting policy changes:

There were no new standards, interpretations or improvements to existing standards that were issued by the IASB or by the International Financial Reporting Interpretations Committee ("IFRIC") that either have not yet been adopted by the Property or that would have a material impact on the Property's financial condition or financial performance.

4. Investment property:

The following table summarizes the changes in the investment property for the year ended December 31, 2020 and period ended December 31, 2019:

Balance, December 2, 2019	\$	—
Acquisition through purchase of investment property		9,496
Capital additions		405
Fair value adjustment		(101)
Balance, December 31, 2019	\$	9,800
Capital additions		72
Fair value adjustment		548
Balance, December 31, 2020	\$	10,420

The key valuation assumptions for the Property are set out in the following table:

	December 31, 2020	December 31, 2019
Capitalization rate	5.25 %	5.60 %

The Property determined the fair value of the investment property using the capitalized net income approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair value of the investment property is sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the investment property as set out in the following table:

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

4. Investment property (continued):

Weighted average	Change	December 31, 2020	December 31, 2019
Capitalization rate	10 basis-point increase	\$ (190)	\$ (170)
Capitalization rate	10 basis-point decrease	\$ 200	\$ 180

The impact of a one percent change in the net operating income used to value the investment property as at December 31, 2020 and December 31, 2019 would increase/decrease the fair value by approximately \$100 and \$100, respectively. See Note 16(d) for potential impacts to the fair value as a result of the novel coronavirus ("COVID-19") global pandemic.

The fair value of the Property is considered a Level 3 measurement in the fair value hierarchy due to the extent of assumptions required beyond observable market data to derive the fair values.

5. Tenant and other receivables, net:

The following table presents details of the tenant and other receivables, net balance:

	December 31, 2020	December 31, 2019
Tenant and other receivables, net	\$ 15	\$ 1

The Property holds no collateral in respect of tenant and other receivables.

6. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balance:

	December 31, 2020	December 31, 2019
Prepaid expenses	16	—
Other assets	2	—
	\$ 18	\$ —

7. Restricted cash:

The following table presents details of the restricted cash balance:

	December 31, 2020	December 31, 2019
Restricted cash:		
Security deposits ⁽ⁱ⁾	\$ 34	\$ 4

- (i) Security deposits relate to funds paid by tenants that are specifically restricted until a tenant exits a lease and are either refunded or applied to amounts due under their lease, as applicable.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

8. Mortgage payable:

Mortgage payable is secured by the investment property and bears interest at a fixed rate.

Property Name	Payment Terms	Renewal Date	Interest Rate	December 31, 2020	December 31, 2019
Vernon Property 2	Principal + interest	August 1, 2030	2.35%	\$ 7,067	\$ —
Less: Deferred financing costs				(49)	—
Carrying value				\$ 7,018	\$ —
Classified as:					
Non-current				\$ 6,862	\$ —
Current				156	—
Total				\$ 7,018	\$ —

The Property's repayment of mortgage principal is payable as follows:

	Principal payments	Balloon payments	Total
2021	\$ 156	\$ —	\$ 156
2022	160	—	160
2023	164	—	164
2024 and thereafter	168	\$ 6,370	\$ 6,538
Total	\$ 648	\$ 6,370	\$ 7,018

9. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	December 31, 2020	December 31, 2019
Tenant prepayments	\$ 47	\$ 5
Operating payables	5	1
Accrued utilities, payroll and other	21	2
	\$ 73	\$ 8

10. Segmented disclosure:

All of the Property's assets and liabilities are in, and its revenues are derived from, the British Columbia real estate industry segment. No single tenant accounts for 10% or more of the Property's rental revenue.

11. Finance costs:

Finance costs consist of the following:

	Year ended December 31, 2020	Period ended December 31, 2019
Interest on mortgage and loan payable	\$ 70	\$ —
Amortization of financing costs	6	—
	\$ 76	\$ —

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

12. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Year ended December 31, 2020	Period ended December 31, 2019
Prepaid expenses and other assets	(18)	—
Tenant and other receivables, net	(14)	(1)
Accounts payable and accrued liabilities	65	8
	\$ 33	\$ 7

13. Asset management fees:

Skyline Asset Management Inc. ("Skyline") is an entity under common control and management. Skyline was appointed as the manager of the Property. As such, Skyline meets the definition of a "related party" as defined in IAS 24 - "Related party disclosures". Skyline receives an asset management fee for managing day to day activities for the Owner.

The asset management fee is calculated and payable on a monthly basis in arrears in cash and is calculated based on 2% of adjusted gross revenue.

For the year ended December 31, 2020 and period ended December 31, 2019, asset management fees was incurred in the amount of \$8 and \$nil, respectively.

14. Commitments and contingencies:

At the statement of financial position dates, the Property had no commitments for future minimum lease payments under non-cancellable operating leases. All existing leases as of December 31, 2020 expire within 12 months.

The Property may be involved in litigation and claims in relation to the investment property that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Property.

15. Capital management:

The Property's capital consists of mortgage payable and owners' equity, and is funded by the Owners primarily for additions to the investment property and leasing activities, to the extent not available from cash flows from the property's operations. Capital is monitored by management using tools designed to anticipate cash needs and to maintain adequate working capital.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

16. Risk management:

In the normal course of business, the Property's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The Property mitigates the risk of credit loss with respect to residents by evaluating the creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and utilizing third party collection agencies for longstanding balances due from tenants.

The Property monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the carve-out statements of net income (loss) and comprehensive income (loss).

As at December 31, 2020 and December 31, 2019 the Property had an allowance for uncollectible amounts of \$4 and \$nil, respectively.

Bad debts expensed within property operating costs for the year ended December 31, 2020 and period ended December 31, 2019 were \$4 and \$nil respectively.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, such as interest rates. The investment property is subject to the risks associated with debt financing, including the risk that the mortgage will not be refinanced on terms as favourable as those of the existing indebtedness.

As at December 31, 2020, the Property has been reported at fair value which reflects the Property's best estimate of future cash flows and capitalization rates applicable to the investment property. The capitalization rates used in the valuation of the Property includes consideration of comparable sales transactions for similar properties as well as overall changes in the investment market for multi-family properties up to December 31, 2020. The Property continues to monitor and review the potential impact that COVID-19 may have on the future cash flows and capitalization rates applicable to the Property. Subsequent to December 31, 2020, a transaction was entered into for the sale of the Property for \$12,550 (note 18).

(c) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulties in meeting its financial obligations as they come due. To mitigate the risk associated with liquidity, management's strategy is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

All of the Property's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. The contractual maturity of the mortgage payable is outlined in note 8.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

16. Risk management (continued):

(d) Other risk:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

Any future changes due to COVID-19 could materially impact the financial results of the Property, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Property in future periods. Other impacts of COVID-19 may include the Property's ability to access capital in future periods on favourable terms.

17. Fair value measurements:

The Property uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings (Level 3).

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

- i. The fair value of the Property's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities and finance cost payable, approximate their carrying amounts due to their short-term nature.
- ii. The fair value of the mortgage payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Property's mortgage payable as at December 31, 2020 and December 31, 2019 approximates carrying value.

VERNON PROPERTY 2

Notes to the Carve-out Financial Statements
For the year ended December 31, 2020 and period ended December 31, 2019
(In thousands of Canadian dollars, unless otherwise noted)

18. Subsequent events:

Subsequent to December 31, 2020, the Owner entered into an agreement to sell the Property to the Starlight Western Canada Multi-Family (No. 2) Fund for a purchase price of \$12,550. The sale of the Property is expected to close on or about February 22, 2022, but not later than March 30, 2022.

The Property expects to enter into a new property management agreement with Devon Properties, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for the services is expected to be equal to 3.75% of the gross collections of residential and miscellaneous income from the Property, as defined within the property management agreement.

**SCHEDULE A
AUDIT COMMITTEE CHARTER**

Starlight Western Canada Multi-Family (No. 2) Fund (the “Fund”)

1. PURPOSE

- 1.1 The board of trustees of the Fund (the “**Board**”) shall appoint an audit committee (the “**Committee**”) to assist the Board in fulfilling its responsibilities. The overall purpose of the Committee of the Fund is to monitor the Fund’s system of internal financial controls, to evaluate and report on the integrity of the financial statements of the Fund, to enhance the independence of the Fund’s external auditors and to oversee the financial reporting process of the Fund.

2. PRIMARY DUTIES AND RESPONSIBILITIES

- 2.1 The Committee’s primary duties and responsibilities are to:
- (a) serve as an objective party to monitor the Fund’s financial reporting and internal control system and review the Fund’s financial statements;
 - (b) review the performance of the Fund’s external auditors; and
 - (c) provide an open avenue of communication among the Fund’s external auditors, the Board and senior management of Starlight Investments CDN AM Group LP, in its capacity as manager of the Fund (the “**Manager**”).

3. COMPOSITION, PROCEDURES AND ORGANIZATION

- 3.1 The Committee shall comprise at least three trustees of the Fund as determined by the Board, two of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.
- 3.2 At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the definition of “financially literate” is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Fund’s financial statements.
- 3.3 The Board shall appoint the members of the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a trustee of the Fund shall cease to be a member of the Committee.
- 3.4 Unless a chair is elected by the Board, the members of the Committee shall elect a chair from among their number (the “**Chair**”). The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings and reporting to the Board.
- 3.5 The Committee, through its Chair, shall have access to such officers and employees of the Fund and the Manager and to the Fund’s external auditors and its legal counsel, and to such information respecting the Fund as it considers to be necessary or advisable in order to perform its duties.
- 3.6 Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Fund, be entitled to attend and to be heard thereat.
- 3.7 Meetings of the Committee shall be conducted as follows:
- (a) the Committee shall meet four times annually, or more frequently as circumstances dictate, at such times and at such locations as the Chair shall determine;
 - (b) the external auditors or any member of the Committee may call a meeting of the Committee;

- (c) any trustee of the Fund may request the Chair to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the Chair; and
 - (d) the external auditors and the Manager shall, when required by the Committee, attend any meeting of the Committee.
- 3.8 The external auditors shall be entitled to communicate directly with the Chair and may meet separately with the Committee. The Committee, through the Chair, may contact directly any employee in the Manager as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.
- 3.9 Compensation to members of the Committee shall be limited to trustees' fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Fund.
- 3.10 The Committee is granted the authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Fund. The Committee has the power to engage and determine funding for outside and independent counsel or other experts or advisors as the Committee deems necessary for these purposes and as otherwise necessary or appropriate to carry out its duties and to set Committee members compensation. The Committee is further granted the authority to communicate directly with internal and external auditors.

4. DUTIES

- 4.1 The overall duties of the Committee shall be to:
- (a) assist the Board in the discharge of their duties relating to the Fund's accounting policies and practices, reporting practices and internal controls and the Fund's compliance with legal and regulatory requirements;
 - (b) establish and maintain a direct line of communication with the Fund's external auditors and assess their performance and oversee the co-ordination of the activities of the external auditors; and
 - (c) be aware of the risks of the business and ensure the Manager has adequate processes in place to assess, monitor, manage and mitigate these risks as they arise.
- 4.2 The Committee shall be directly responsible for overseeing the work of the external auditor, who shall report directly to the Committee, engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between the Manager and the external auditors and the overall scope and plans for the audit, and in carrying out such oversight, the Committee's duties shall include:
- (a) recommending to the Board the selection and compensation and, where applicable, the replacement of the external auditor nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund;
 - (b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102") or any successor legislation, and the planned steps for an orderly transition;
 - (c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;
 - (d) reviewing and pre-approving all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Fund's external auditors to the Fund or any subsidiary entities;
 - (e) reviewing the engagement letters of the external auditors, both for audit and non-audit services;

- (f) consulting with the external auditor, without the presence of the Manager about the quality of the Fund's accounting principles, internal controls and the completeness and accuracy of the Fund's financial statements;
 - (g) reviewing annually the performance of the external auditors, who shall be ultimately accountable to the Board and the Committee as representatives of the unitholders of the Fund, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and
 - (h) reviewing and approving the nature of and fees for any non-audit services performed for the Fund by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.
- 4.3 The duties of the Committee as they relate to document and reports reviews shall be to:
- (a) review the Fund's financial statements, management's discussion and analysis of financial results ("MD&A") and any financial press releases before the Fund publicly discloses this information; and
 - (b) review and periodically assess the adequacy of procedures in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the Fund's financial statements, MD&A and financial press releases.
- 4.4 The duties of the Committee as they relate to audits and financial reporting shall be to:
- (a) in consultation with the external auditor, review with the Manager the integrity of the Fund's financial reporting process, both internal and external, and approve, if appropriate, changes to the Fund's auditing and accounting practices;
 - (b) review the audit plan with the external auditor and the Manager;
 - (c) review with the external auditor and the Manager any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of the Manager that may in any such case be material to financial reporting;
 - (d) review the contents of the audit report;
 - (e) question the external auditor and the Manager regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
 - (f) review the scope and quality of the audit work performed;
 - (g) review the adequacy of the Fund's financial and auditing personnel;
 - (h) review the co-operation received by the external auditor from the Manager's and the Fund's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;
 - (i) review the internal resources used;
 - (j) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with the Manager's response to the recommendations, including subsequent follow-up of any identified weaknesses;
 - (k) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) of the Fund and any key financial executives involved in the financial reporting process;
 - (l) review and approve the Fund's annual audited financial statements and those of any subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from the Manager of all significant variances between comparative reporting periods before release to the public;
 - (m) establish procedures for (A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and (B) the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters; and

- (n) review the terms of reference for an internal auditor or internal audit function.
- 4.5 The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:
- (a) review changes to accounting principles of the Chartered Professional Accountants of Canada which would have a significant impact on the Fund's financial reporting as reported to the Committee by the Manager and the external auditors;
 - (b) review the appropriateness of the accounting policies used in the preparation of the Fund's financial statements and consider recommendations for any material change to such policies;
 - (c) review the status of material contingent liabilities as reported to the Committee by the Manager or the external auditors;
 - (d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by the Manager;
 - (e) review any errors or omissions in the current or prior year's financial statements;
 - (f) review, and approve before their release, all public disclosure documents containing audited or unaudited financial information including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders and annual information forms, as applicable; and
 - (g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.
- 4.6 The other duties of the Committee shall include:
- (a) reviewing any related-party transactions not in the ordinary course of business;
 - (b) reviewing any inquiries, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;
 - (c) formulating clear hiring policies for partners, employees or former partners and employees of the Fund's external auditors;
 - (d) reviewing annual operating and capital budgets;
 - (e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;
 - (f) inquiring of Manager and the external auditors as to any activities that may be or may appear to be illegal or unethical;
 - (g) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the Fund of concerns regarding such; and
 - (h) reviewing any other questions or matters referred to it by the Board.

CERTIFICATE OF THE FUND AND THE PROMOTER

Dated: January 27, 2022

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada, other than Québec.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

By: (Signed) DANIEL DRIMMER
Chief Executive Officer

By: (Signed) MARTIN LIDDELL
Chief Financial Officer

ON BEHALF OF THE BOARD OF TRUSTEES

By: (Signed) MANDY ABRAMSOHN
Trustee

By: (Signed) DENIM SMITH
Trustee

STARLIGHT GROUP PROPERTY HOLDINGS INC.
as Promoter

By: (Signed) DANIEL DRIMMER
Director

CERTIFICATE OF THE AGENTS

Dated: January 27, 2022

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada, other than Québec.

CIBC WORLD MARKETS INC.

BY: (SIGNED) MARK DRIMAN

WELLINGTON-ALTUS PRIVATE WEALTH INC.

BY: (SIGNED) BLAINE COATES

SCOTIA CAPITAL INC.

BY: (SIGNED) ROBERT HALL

CANACCORD GENUITY CORP.

BY: (SIGNED) MICHAEL SARDO

BMO NESBITT BURNS INC.

NATIONAL BANK FINANCIAL INC.

RICHARDSON WEALTH LIMITED

BY: (SIGNED) ROB TURNBULL

BY: (SIGNED) GAVIN BRANCATO

BY: (SIGNED) NARGIS SUNDERJI

DESJARDINS SECURITIES INC.

ECHELON WEALTH PARTNERS INC.

IA PRIVATE WEALTH INC.

LAURENTIAN BANK SECURITIES INC.

RAYMOND JAMES LTD.

BY: (SIGNED) MARK
EDWARDS

BY: (SIGNED) BETH
SHAW

BY: (SIGNED)
RICHARD KASSABIAN

BY: (SIGNED) ROB
SUTHERLAND

BY: (SIGNED) ONORIO
LUCCHESI





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